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SPECIAL MEETING  
BOARD OF DIRECTORS  
TUESDAY, OCTOBER 11, 2016 – 6:00PM  
3 DAIRY LANE, BELMONT CALIFORNIA

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## AGENDA

### 1. OPENING

- A. Call to Order
- B. Establishment of Quorum
- C. Pledge of Allegiance

### 2. PUBLIC COMMENT

Members of the public may now address the Board on any item of interest within the jurisdiction of the Board but not on its agenda today. In compliance with the Brown Act, the Board cannot discuss or act on items not on the agenda. Please complete a speaker's form and give it to the District Secretary. Each speaker is limited to three (3) minutes.

### 3. REGULAR BUSINESS

- A. Consider Resolution 2016-20 Approving the Form and Authorizing and Directing the Execution of Certain Installment Sale Financing Documents in Connection with the Financing of the Acquisition and Construction of Certain Improvements and Facilities within the District's Water System, Authorizing and Directing Distribution of a Notice of Intention, a Notice of Sale and a Preliminary Official Statement in Connection with the Offering and Sale of Certificates of Participation Related Thereto, and Directing Certain Actions with Respect Thereto
- B. Consider Resolution 2015-21 Accepting as Complete the Alameda De Las Pulgas Water Main Replacement Project and Authorizing the Recordation of a Notice of Completion for the Project
- C. Consider Cancellation of October 27, 2016 Regular Board Meeting
- D. Other Topics for the Good of the Order

### 4. ADJOURNMENT

This agenda was posted at the Mid-Peninsula Water District's office, 3 Dairy Lane, in Belmont, California, and on its website at [www.midpeninsulawater.org](http://www.midpeninsulawater.org).

#### ACCESSIBLE PUBLIC MEETINGS

*Upon request, the Mid-Peninsula Water District will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation (including auxiliary aids or services), to enable individuals with disabilities to participate in public meetings. Please contact the District Secretary at (650) 591-8941 to request specific materials and preferred alternative format or auxiliary aid or service at least 48 hours before the meeting.*



**AGENDA ITEM NO. 3.A.**

DATE: October 11, 2016  
TO: Board of Directors  
FROM: Tammy Rudock, General Manager

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**SUBJECT: CONSIDER RESOLUTION 2016-20 APPROVING THE FORM AND AUTHORIZING AND DIRECTING THE EXECUTION OF CERTAIN INSTALLMENT SALE FINANCING DOCUMENTS IN CONNECTION WITH THE FINANCING OF THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND FACILITIES WITHIN THE DISTRICT'S WATER SYSTEM, AUTHORIZING AND DIRECTING DISTRIBUTION OF A NOTICE OF INTENTION, A NOTICE OF SALE AND A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF CERTIFICATES OF PARTICIPATION RELATED THERETO, AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO**

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**RECOMMENDATION**

Approve Resolution 2016-20 approving the form and authorizing and directing the execution of certain installment sale financing documents in connection with the financing of the acquisition and construction of certain improvements and facilities within the District's water system, authorizing and directing distribution of a Notice of Intention, a Notice of Sale and a Preliminary Official Statement in connection with the related offering and sale of Certificates of Participation (the "COPs"), and directing certain related actions.

**FISCAL IMPACT**

Approximately \$1,045,000 debt service payment each fiscal year, for thirty (30) years, payable in two (2) equal installments each year beginning May 15, 2017. The COPs maturing on and after December 1, 2027, are callable on December 1, 2026 at par (100% of outstanding principal plus accrued interest).

**Issuance Details:**

Based on the Bond Market as of October 6, 2016, (actual amount to be determined by competitive bid):

- The par amount of the COPs is estimated at \$20,000,000;
- The structure of the pricing of the Bonds is estimated to produce premiums in excess of \$600,000;

- The “all in” true interest rate is estimated at 3.2%;
- The project fund is estimated to be approximately \$20,000,000; and
- The Debt Service Coverage Covenant is 1.30 and the Additional Bonds Test is also 1.30.

Attached are the following updated summaries from the Municipal Finance Advisor:

- Public Offering Summary, Premium 30-Years;
- Pay-Go Summary; and
- Recent Public Financing Comparisons.

### Estimated Issuance Costs

All costs are contingent unless otherwise negotiated and will be paid from proceeds of the COPs at closing:

- The total cost of issuance consisting of Underwriter Discount, Bond and Disclosure Counsel, Municipal Advisor, Public Financing Corporation, Trustee, Rating Agency, Water Consultant, and Miscellaneous is estimated at \$438,578.

### **BACKGROUND**

The Mid-Peninsula Water District (MPWD) has completed several strategic projects during the past 24 months, each of them building upon the other, in order to best consider the entire MPWD system and its capital infrastructure rehabilitation and improvement needs, namely:

- Construction standards and specifications;
- Water hydraulic modeling and capital program development;
- Water capacity charges update; and
- Water financial plan and rate study, including a 2016 update.

First, senior Operations staff, management, and the District Engineer teamed up and revised its construction standards and specifications. These were important not only for consistent construction application throughout the MPWD system for future operations and maintenance, but also in preparation for any major capital improvement program. They are posted at the MPWD website.

Next, in preparation of a meaningful capital program, the same team systematically reviewed the MPWD’s infrastructure and developed a water hydraulic model to identify deficiencies. This was an 18-month process and one in which institutional knowledge of the MPWD system blended with engineering know-how and management experience resulting in the development of a comprehensive list of needed capital projects within the MPWD system. A distribution system analysis was developed by the District Engineer for each project, including an engineering cost estimate. Nearly 90 capital projects were identified, totaling over \$50 million. Operations staff selected several pertinent criteria for evaluating the projects for prioritization. That priority list resulted in the MPWD’s proposed Capital Improvement Program (CIP). A 5-year CIP was developed from this list. The water hydraulic model is a valuable tool for operations and maintenance analyses, development assessments and fire flow reviews, and is maintained to keep it current.

Third, the MPWD hired an independent public finance consultant, Bartle Wells Associates, to work with staff for review and update of the MPWD's development impact fees and structure. That nearly 9-month process was thoroughly vetted by the Board of Directors to ensure transparent stakeholder and customer participation and input. The result was a Water Capacity Charges Update dated March 20, 2015 (posted at the MPWD website), and adopted by the Board of Directors per Ordinance No. 112 dated April 23, 2015. Not only were water capacity charges updated for new development requiring a "buy-in" to the MPWD system for its added service impact, but the MPWD also created water demand offset fees to manage the new demand within its available regional water system supply from San Francisco Public Utilities Commission (SFPUC). This is in addition to the new development requirements to comply with current building codes requiring high efficient water fixtures. These supplemental revenues depend upon the level of proposed development within the MPWD service area, but are additional resources for capital projects and water conservation/educational programs and public outreach.

Finally, the MPWD updated its water financial plan and reviewed its rates and structure, again with the assistance of Bartle Wells Associates. A rate workshop was held on March 26, 2015. A water financial plan and rate study was presented and adopted by the Board of Directors on May 26, 2015, including phased increases to the monthly fixed system charge and within the tiered structure. Further provisions adopted were pass-through of additional increases by SFPUC to projected wholesale water rates, and emergency water shortage rates should the MPWD experience a significant decrease in its water commodity revenues as a result of greater water use reductions due to a drought.

#### Water Finance and Rate Update

In FY 2015/2016, water conservation efforts resulted in lower revenue receipts and associated purchased water costs. Therefore, the MPWD contracted with Bartle Wells Associates to update its 2015 finance and rate study in order to adequately prepare for the FY 2016/2017 budget process. The Board received an updated financial report on April 24, 2016. The cash flow projections were decreased as a result of the reduced water consumption, while at the same time considering rate increases effective July 1, 2016. Bartle Wells Associates also took into consideration the potential for a debt financing, and concluded that an annual debt service payment of \$1,045,000 could be achieved, even with the reduced cash flow projections. Lastly, excess revenues were forecasted resulting in sufficient coverage required for a debt financing.

#### 5-Year CIP and Financing Options

Since the completion of the above critical projects and since 2015, the MPWD has publicly engaged in discussions around options for implementing a CIP, funding alternatives, and financing details at the following Board meetings:

- October 11, 2016
- September 22, 2016
- August 25, 2016
- June 23, 2016
- May 26, 2016
- April 28, 2016

- March 24, 2016
- February 25, 2016
- January 28, 2016
- December 16, 2015
- November 16, 2015.

Prioritized projects were presented to and accepted by the Board as a capital program. Staff has been working with its municipal finance advisor, Wulff Hansen & Company, since January 2016, to identify potential options for financing a 5-year CIP. The Board of Directors considered three (3) 5-Year CIP alternatives at its regular meeting on May 26, 2016. They selected Alternative One totaling \$20,000,000 and approved Resolution No. 2016-06, which is attached, including the authorized 5-Year CIP.

#### MPWD Comprehensive System Analysis and CIP FY 2016/2017 Update

As a result of the detailed capital infrastructure modeling and analyses performed, the District Engineer and staff created a report entitled *MPWD Comprehensive System Analysis and Capital Improvement Program FY 2016/2017 Update*, which was adopted by the Board at its regular meeting on May 26, 2016 (via Resolution No. 2016-06). It is posted at the MPWD website.

During the summer of 2016, the District Engineer and staff developed an added section to the *MPWD Comprehensive System Analysis and Capital Improvement Program FY 2016/2017 Update*, including their asset management analysis of MPWD water mains and storage tanks and annual pay-go reinvestment requirements. The added section was presented to the Board during its regular meeting on August 25, 2016.

#### **DISCUSSION**

Last month the MPWD Board of Directors authorized the financing of a portion of its 5-Year CIP and directed staff and its financing team to move forward and bring back the documents for review and consideration.

A competitive bid process was initiated for a trustee, and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), was selected.

The following documents (summary descriptions below) are attached and part of the MPWD's proposed financing package:

1. **Resolution 2016-20 approving the form and authorizing and directing the execution of certain Installment Sale financing documents in connection with the financing of the acquisition and construction of certain improvement and facilities within the District's water system, authorizing and directing distribution of a Notice of Intention, a Notice of Sale and a Preliminary Official Statement in connection with the offering and sale of Certificates of Participation related thereto, and directing certain actions with respect thereto**—Once approved, this resolution will authorize the General Manager, District Counsel, and Bond Counsel to finalize the legal wording of the financing documents and coordinate execution of the documents by the General Manager and/or designed officers. A follow-up financing report will be provided

to the Board of Directors by the Municipal Finance Advisor team at the Board's December 15, 2016 regular meeting.

2. **Notice of Intention**—As required by California law, the notice of intention is published in the *Bond Buyer*, a municipal bond industry newspaper, and provides notice to the prospective bidders of the COPs of the time, date and location of the competitive sale.
3. **Notice of Sale**—The notice of sale is a summary of the financing (see Preliminary Official Statement below) providing some of the highlights of the issue, including some basic information about the District, the terms of the financing and parameters for bidding. It is circulated to all prospective bidders.
4. **Installment Sale Agreement**—This is the agreement pursuant to which the District “purchases” the financed project from the Public Property Financing Corporation of California (the “Corporation”), an independent entity that assists issuers in COP financings. The term of this agreement is through December 1, 2046. This agreement requires the District to make semi-annual installment payments, which include a principal component and an interest component. The payments made by the District will be assigned by the Corporation to the Trustee which will execute and deliver the COPs to the successful bidder. The District's installment payments will be used to make the debt service payments on the COPs.
5. **Trust Agreement**—This is the agreement pursuant to which the Trustee will hold, invest and disburse certificate proceeds for the project and will collect installment payments from the District for disbursement to the investors.
6. **Continuing Disclosure Certificate**—Since the COPs will continue to be purchased and sold by investors in the secondary market, all issuers of municipal securities are obligation to provide information to the market so that financial and operating data of the District is kept up to date. This document sets for the obligations of the District in providing this information.
7. **Preliminary Official Statement**—This is the offering document (similar to a prospectus) which provides a detailed description of the District, the issue, and the sources of payment. This document permits prospective investors to make an informed investment decision regarding a purchase of the COPs

#### ESTIMATED SCHEDULE

October 11	Board approval of documents and POS, authorization to issue Notice of Sale, and designation of officers to execute final documents
October 14	Initiate bond rating process
October 20	Bond rating calls
October 26	Receipt of bond rating

October 28	Finalize bond size and POS and NOS (Notice of Sale)
November 2	Post NOS mail POS to bidders
November 15	Receive bids; award sale
November 30	Pre-close bond issue
December 1	Close bond issue
December 15	Report sale results to MPWD Board

Attachments: Resolution 2016-20  
Public Offering Summary, Premium 30-Years;  
Pay-Go Summary; and  
Recent Public Financing Comparisons  
Notice of Intention  
Notice of Sale  
Installment Sale Agreement  
Trust Agreement  
Continuing Disclosure Certificate  
Preliminary Official Statement

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BOARD ACTION: APPROVED:\_\_\_\_\_ DENIED:\_\_\_\_\_ POSTPONED:\_\_\_\_\_ STAFF DIRECTION:\_\_\_\_\_

UNANIMOUS\_\_\_\_\_ ZUCCA\_\_\_\_\_ WARDEN\_\_\_\_\_ STUEBING\_\_\_\_\_ VELLA\_\_\_\_\_ LINVILL\_\_\_\_\_



**MID-PENINSULA WATER DISTRICT**

**RESOLUTION NO. 2016-20**

**RESOLUTION APPROVING THE FORM AND AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN INSTALLMENT SALE FINANCING DOCUMENTS IN CONNECTION WITH THE FINANCING OF THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND FACILITIES TO THE DISTRICT'S WATER SYSTEM, AUTHORIZING AND DIRECTING DISTRIBUTION OF A NOTICE OF INTENTION, A NOTICE OF SALE AND A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF CERTIFICATES OF PARTICIPATION RELATING THERETO, AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO**

RESOLVED, by the Board of Directors (the "Board") of the Mid-Peninsula Water District (the "District"), as follows:

WHEREAS, the District has determined that, due to prevailing financial market conditions, it is in the best interests of the District to finance the acquisition and construction of certain improvements and facilities (the "Project") to the District's water system (the "Water System");

WHEREAS, the District, working together with the Public Property Financing Corporation of California (the "Corporation"), proposes to finance the Project, as more particularly described in the hereinafter defined Installment Sale Agreement, and it is in the public interest and for the public benefit that the District authorize and direct execution of the Installment Sale Agreement and certain other financing documents in connection therewith;

WHEREAS, a notice of intention, a notice of sale and a preliminary official statement containing information material to the offering and sale of the Certificates described below have been prepared; and

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

NOW, THEREFORE, it is hereby DECLARED and ORDERED, as follows:

*Section 1.* Certificates of Participation (2016 Financing Project) (the "Certificates") are hereby authorized to be executed and delivered pursuant to the provisions of the Trust Agreement, as hereinafter defined.

*Section 2.* The below-enumerated documents, in the forms on file with the Secretary, be and are hereby approved, and the President, the Vice President, the General Manager or the



Operations Manager, or the designee thereof (each, a "Designated Officer"), are hereby authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such officials, and the Secretary is hereby authorized and directed to attest to such official's signature:

(a) an installment sale agreement, by and between the Corporation, as seller, and the District, as purchaser (the "Installment Sale Agreement"), pursuant to which the Corporation will sell the Project to the District, so long as the total principal amount of the Certificates does not require annual debt service payments in excess of \$1,050,000 and the true interest cost does not exceed 4%; and

(b) a trust agreement, by and among the Corporation, the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trust Agreement"), relating to the financing, and the execution and delivery of the Certificates.

*Section 3.* The Board hereby approves a notice of intention, in the form on file with the Secretary (the "Notice of Intention"), together with any changes therein or additions thereto deemed advisable by any Designated Officer. The Secretary is hereby authorized and directed to cause to be published, once at least five (5) days prior to the date to receive bids, the Notice of Intention in *The Bond Buyer*, a financial publication reasonably expected to be disseminated among prospective bidders for the Certificates. The Board hereby approves a notice of sale, in the form on file with the Secretary (the "Notice of Sale"), together with any changes therein or additions thereto deemed advisable by any Designated Officer. Wulff, Hansen & Co., municipal advisor to the District (the "Municipal Advisor") is hereby authorized to cause to be furnished to prospective bidders copies of the Notice of Sale.

*Section 4.* The Board hereby approves a preliminary official statement (the "Preliminary Official Statement"), in the form on file with the Secretary, together with any changes therein or additions thereto deemed advisable by any Designated Officer. The Board authorizes and directs any Designated Officer to deem "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). The Municipal Advisor is hereby authorized to cause to be furnished to prospective bidders copies of the Preliminary Official Statement.

*Section 5.* Any Designated Officer is authorized and directed to cause the Preliminary Official Statement to be brought into the form of a final official statement (the "Final Official Statement") and to execute said Final Official Statement, dated as of the date of the sale of the Certificates, and a statement that the facts contained in the Final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Certificates, true and correct in all material respects and that the Final Official Statement did not, on the date of sale of the Certificates, and does not, as of the date of delivery of the Certificates, contain any untrue statement of a material fact with respect to the District or omit to state material facts with respect to the District required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The Designated Officers shall take such further actions prior to the signing of the Final Official Statement as are deemed necessary or appropriate to verify the accuracy thereof. The execution of the final Official Statement, which shall include such changes and additions thereto deemed

advisable by any Designated Officer and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the final Official Statement by the District.

*Section 6.* The Final Official Statement, when prepared, is approved for distribution in connection with the offering and sale of the Certificates.

*Section 7.* The Municipal Advisor is hereby authorized and directed, on behalf of the District, to receive the bids at the time and place specified in the Notice of Sale, to examine said bids for compliance with the Notice of Sale and to verify the bid with the lowest true interest cost as provided in the Notice of Sale. In the event two or more bids setting forth identical true interest cost are received, the Municipal Advisor, on behalf of the District, may exercise its own discretion and judgment in making the award and may award the Certificates on a *pro rata* basis in such denominations as he shall determine. The Municipal Advisor, on behalf of the District, may, in its discretion, reject any and all bids and waive any irregularity or informality in any bid. The Municipal Advisor, on behalf of the District, shall award the Certificates or reject all bids not later than 24 hours after the expiration of the time prescribed for the receipt of bids unless such time of award is waived by the successful bidder.

If no bids are received by the District for the sale of the Certificates or it is determined by a Designated Officer, in consultation with the Municipal Advisor, that a negotiated sale would be in the best interest of the District (determined either before or after competitive bids for the sale of the Certificates are solicited), the Certificates may be sold on a negotiated basis, to an underwriter identified to the District by the Municipal Advisor (the "Underwriter"). If it is determined that the Certificates are to be sold on a negotiated basis, the Certificates shall be sold to the Underwriter pursuant to a certificate purchase agreement, by and among the Underwriter, the District and the Corporation. Any Designated Officer is hereby authorized and directed to execute said document, with such changes, insertions and omissions as may be approved by such official, so long as the Underwriter's discount does not exceed 2% of the principal amount of the Certificates, exclusive of any original issue discount which does not represent compensation to the Underwriter.

*Section 8.* The President, the Vice President, the General Manager, the Secretary, any deputy to the Secretary and all other appropriate officials of the District are hereby authorized and directed to execute such other agreements, documents and certificates as may be necessary to effect the purposes of this resolution and the financing herein authorized.

*Section 8.* This Resolution shall take effect upon its adoption by this Board.

\* \* \* \* \*

ADOPTED October 11, 2016, by the Board of Directors of the Mid-Peninsula Water District by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

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President

ATTEST:

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Secretary

MID-PENINSULA WATER DISTRICT  
Public Offering; 30 YEARS, Premium

Prepared by Wulff, Hansen & Co.  
10/7/2016

All figures are preliminary, estimated and subject to change

Period Ending	Principal	Coupon	Yield	Interest	Debt Service*	Available Revenue**	Excess Revenue	Cumulative Excess	Debt Service Coverage Ratio***
12/1/2017	350,000	5.00%	0.85%	695,847.00	1,045,847.00	1,500,000	454,153	454,153	1.434
12/1/2018	370,000	5.00%	1.05%	678,347.00	1,048,347.00	1,772,000	723,653	1,177,806	1.690
12/1/2019	390,000	5.00%	1.25%	659,847.00	1,049,847.00	1,462,000	412,153	1,589,959	1.393
12/1/2020	405,000	5.00%	1.35%	640,347.00	1,045,347.00	1,425,000	379,653	1,969,612	1.363
12/1/2021	425,000	5.00%	1.37%	620,097.00	1,045,097.00	1,500,000	454,903	2,424,515	1.435
12/1/2022	450,000	5.00%	1.47%	598,847.00	1,048,847.00	1,500,000	451,153	2,875,668	1.430
12/1/2023	470,000	5.00%	1.62%	576,347.00	1,046,347.00	1,500,000	453,653	3,329,321	1.434
12/1/2024	495,000	5.00%	1.85%	552,847.00	1,047,847.00	1,500,000	452,153	3,781,474	1.432
12/1/2025	520,000	5.00%	2.03%	528,097.00	1,048,097.00	1,500,000	451,903	4,233,377	1.431
12/1/2026	545,000	5.00%	2.15%	502,097.00	1,047,097.00	1,500,000	452,903	4,686,280	1.433
12/1/2027	575,000	2.25%	2.25%	474,847.00	1,049,847.00 *	1,500,000	450,153	5,136,433	1.429
12/1/2028	585,000	2.43%	2.43%	461,909.50	1,046,909.50	1,500,000	453,091	5,589,524	1.433
12/1/2029	600,000	2.45%	2.45%	447,694.00	1,047,694.00	1,500,000	452,306	6,041,830	1.432
12/1/2030	615,000	2.56%	2.56%	432,994.00	1,047,994.00	1,500,000	452,006	6,493,836	1.431
12/1/2031	630,000	2.77%	2.77%	417,250.00	1,047,250.00	1,500,000	452,750	6,946,586	1.432
12/1/2032	650,000	2.88%	2.88%	399,799.00	1,049,799.00	1,500,000	450,201	7,396,787	1.429
12/1/2033	665,000	3.03%	3.03%	381,079.00	1,046,079.00	1,500,000	453,921	7,850,708	1.434
12/1/2034	685,000	3.08%	3.08%	360,929.50	1,045,929.50	1,500,000	454,071	8,304,778	1.434
12/1/2035	710,000	3.13%	3.13%	339,831.50	1,049,831.50	1,500,000	450,169	8,754,947	1.429
12/1/2036	730,000	3.18%	3.18%	317,608.50	1,047,608.50	1,500,000	452,392	9,207,338	1.432
12/1/2037	755,000	3.25%	3.25%	294,394.50	1,049,394.50	1,500,000	450,606	9,657,944	1.429
12/1/2038	780,000	3.27%	3.27%	269,857.00	1,049,857.00	1,500,000	450,143	10,108,087	1.429
12/1/2039	805,000	3.30%	3.30%	244,351.00	1,049,351.00	1,500,000	450,649	10,558,736	1.429
12/1/2040	830,000	3.32%	3.32%	217,786.00	1,047,786.00	1,500,000	452,214	11,010,950	1.432
12/1/2041	855,000	3.40%	3.40%	190,230.00	1,045,230.00	1,500,000	454,770	11,465,720	1.435
12/1/2042	885,000	3.40%	3.40%	161,160.00	1,046,160.00	1,500,000	453,840	11,919,560	1.434
12/1/2043	915,000	3.40%	3.40%	131,070.00	1,046,070.00	1,500,000	453,930	12,373,490	1.434
12/1/2044	945,000	3.40%	3.40%	99,960.00	1,044,960.00	1,500,000	455,040	12,828,530	1.435
12/1/2045	980,000	3.40%	3.40%	67,830.00	1,047,830.00	1,500,000	452,170	13,280,700	1.432
12/1/2046	1,015,000	3.40%	3.40%	34,510.00	1,049,510.00	1,500,000	450,490	13,731,190	1.429
	<b>19,630,000</b>			<b>11,797,810.50</b>	<b>31,427,810.50</b>	<b>45,159,000</b>	<b>13,731,190</b>		

Estimated and Subject to Actual Proposals

Project Fund	<b>19,987,022.80</b>					(1) Underwriter's Discount	186,485.00
Estimated Total Cost of Issuance (COI)	<b>437,485.00</b>					Bond Counsel	70,000.00
=	<b>20,424,507.80</b>					Disclosure Counsel	30,000.00
Total Par Amount	<b>19,630,000.00</b>			TIC	<b>3.11365%</b>	Municipal Advisor	70,000.00
Net Premium	<b>794,507.80</b>			All-in TIC	<b>3.21068%</b>	Public Financing Corp.	3,500.00
Plus	<b>20,424,507.80</b>					Trustee	7,500.00
						Rating Agency	35,000.00
						Consultant	10,000.00
						Misc.	25,000.00
						<b>Total Estimated COI</b>	<b>437,485.00</b>

(1) Based on percentage of Bond issue. Estimated at 0.950%, to be determined by competitive bid

\*The COPs maturing on and after December 1, 2027 are to be callable on December 1, 2026 at Par. (100% of outstanding principal plus accrued interest.)

\*\* Source: Rate Study update from MPWD

\*\*\* Debt Service Coverage (DSC): A debt service coverage ratio is an indicator of the amount of funds available to pay debt service after O&M expenses and other pre-debt obligations have been met. A DSC ratio of 1.40 means the utility has 40% more funds available to pay debt service than the amount of the debt service payment(s). For example, assuming a utility has a \$1.0 million debt service payment, a DSC of 1.40 means that the utility has \$1.4 million available to pay debt service.

- Debt Service Coverage Covenant (1.30): The DSC below which water rate increases may be required to avoid technical default.
- True Interest Cost (TIC): A measurement of interest expense to the issuer of bonds, without the adjustment of COI in calculation.
- All-in TIC: A measurement of total cost of a bond financing, including adjustment of COI in calculation.

**MID-PENINSULA WATER DISTRICT**  
**Public Offering; 30 YEARS, Premium**

Prepared by Wulff, Hansen & Co.  
 10/7/2016

*All figures are preliminary, estimated and subject to change*

Period Ending	Principal	Coupon	Yield	Interest	Debt Service	Available Revenue**	Excess Revenue	Cumulative Excess	
12/1/2017	350,000	5.00%	0.85%	695,847.00	1,045,847.00	1,500,000	454,153	454,153	
12/1/2018	370,000	5.00%	1.05%	678,347.00	1,048,347.00	1,772,000	723,653	1,177,806	
12/1/2019	390,000	5.00%	1.25%	659,847.00	1,049,847.00	1,462,000	412,153	1,589,959	
12/1/2020	405,000	5.00%	1.35%	640,347.00	1,045,347.00	1,425,000	379,653	1,969,612	
12/1/2021	425,000	5.00%	1.37%	620,097.00	1,045,097.00	1,500,000	454,903	2,424,515	
12/1/2022	450,000	5.00%	1.47%	598,847.00	1,048,847.00	1,500,000	451,153	2,875,668	
12/1/2023	470,000	5.00%	1.62%	576,347.00	1,046,347.00	1,500,000	453,653	3,329,321	
12/1/2024	495,000	5.00%	1.85%	552,847.00	1,047,847.00	1,500,000	452,153	3,781,474	
12/1/2025	520,000	5.00%	2.03%	528,097.00	1,048,097.00	1,500,000	451,903	4,233,377	
12/1/2026	545,000	5.00%	2.15%	502,097.00	1,047,097.00	1,500,000	452,903	<b>4,686,280</b> <sup>(1)</sup>	
	<b>4,420,000</b>								
									<b>Principal + Excess Revenue</b> <sup>(2)</sup>
12/1/2027	575,000	2.25%	2.25%	474,847.00	1,049,847.00	1,500,000	450,153	5,136,433	<b>10,523,720</b>
12/1/2028	585,000	2.43%	2.43%	461,909.50	1,046,909.50	1,500,000	453,091	5,589,524	1,038,090.50
12/1/2029	600,000	2.45%	2.45%	447,694.00	1,047,694.00	1,500,000	452,306	6,041,830	1,052,306.00
12/1/2030	615,000	2.56%	2.56%	432,994.00	1,047,994.00	1,500,000	452,006	6,493,836	1,067,006.00
12/1/2031	630,000	2.77%	2.77%	417,250.00	1,047,250.00	1,500,000	452,750	6,946,586	1,082,750.00
12/1/2032	650,000	2.88%	2.88%	399,799.00	1,049,799.00	1,500,000	450,201	7,396,787	1,100,201.00
12/1/2033	665,000	3.03%	3.03%	381,079.00	1,046,079.00	1,500,000	453,921	7,850,708	1,118,921.00
12/1/2034	685,000	3.08%	3.08%	360,929.50	1,045,929.50	1,500,000	454,071	8,304,778	1,139,070.50
12/1/2035	710,000	3.13%	3.13%	339,831.50	1,049,831.50	1,500,000	450,169	8,754,947	1,160,168.50
12/1/2036	730,000	3.18%	3.18%	317,608.50	1,047,608.50	1,500,000	452,392	9,207,338	1,182,391.50
12/1/2037	755,000	3.25%	3.25%	294,394.50	1,049,394.50	1,500,000	450,606	9,657,944	<b>10,966,058.00</b>
12/1/2038	780,000	3.27%	3.27%	269,857.00	1,049,857.00	1,500,000	450,143	10,108,087	
12/1/2039	805,000	3.30%	3.30%	244,351.00	1,049,351.00	1,500,000	450,649	10,558,736	
12/1/2040	830,000	3.32%	3.32%	217,786.00	1,047,786.00	1,500,000	452,214	11,010,950	
12/1/2041	855,000	3.40%	3.40%	190,230.00	1,045,230.00	1,500,000	454,770	11,465,720	
12/1/2042	885,000	3.40%	3.40%	161,160.00	1,046,160.00	1,500,000	453,840	11,919,560	
12/1/2043	915,000	3.40%	3.40%	131,070.00	1,046,070.00	1,500,000	453,930	12,373,490	
12/1/2044	945,000	3.40%	3.40%	99,960.00	1,044,960.00	1,500,000	455,040	12,828,530	
12/1/2045	980,000	3.40%	3.40%	67,830.00	1,047,830.00	1,500,000	452,170	13,280,700	
12/1/2046	1,015,000	3.40%	3.40%	34,510.00	1,049,510.00	1,500,000	450,490	13,731,190	
	<b>15,210,000</b>			<b>11,797,810.5</b>	<b>31,427,810.5</b>	<b>45,159,000</b>	<b>13,731,190</b>		
	<b>19,630,000</b>								

In 2026 when bonds are callable, \$ 4,535,000 will be available to pay down the outstanding principal, amount of \$ 15,210,000, leaving \$ 10,523,720 outstanding.

The remaining outstanding balance will be paid using principal and excess revenue for each year. And it will take another ten years to payoff the \$ 10,523,720

**No. of years to pay the debt: 20 years**

Issue		CHANNEL ISLAND BEACH CA CMNTY				PACIFICA CA COPS			GROSSMONT CA UNION HIGH SCH DI		
		REF				REF			REF-ELECTION 2008-SER B		
Award		9/21/2016				9/22/2016			9/22/2016		
Par		\$ 2,605,000				\$ 14,680,000			\$ 90,435,000		
U/W		HILLTOP SECURITIES INC				U.S. BANCORP INVESTMENTS			CITIGROUP GLOBAL MKTS INC		
Type		REVENUE BONDS				CERTIFICATE PARTICIPATION			GENERAL OBLIGATION UNLTD		
Rate		A+				AA-			Aa3/ AAA		
Call Sched	AAA MMD	11/1/2024			AAA MMD	1/1/2026			8/1/2026		
misc	9/20/16	MAC/BQ			9/21/16						
		cpn	yld	spd		cpn	yld	spd	cpn	yld	spd
2017	0.72	2.00	0.79	7	0.72				2.00	0.67	-5
2018	0.78	2.00	0.88	10	0.78						
2019	0.86	3.00	1.02	16	0.86						
2020	0.96	3.00	1.15	19	0.96						
2021	1.04	3.00	1.28	24	1.04	5.00	1.22	18			
2022	1.15	4.00	1.41	26	1.15	5.00	1.33	18			
2023	1.27	4.00	1.56	29	1.27	5.00	1.47	20			
2024	1.39	4.00	1.70	31	1.39	5.00	1.62	23			
2025	1.48	4.00	1.84	36	1.48	5.00	1.77	29			
2026	1.57	4.00	1.97	40	1.57	5.00	1.87	30			
2027	1.66	4.00	2.15	49	1.66	5.00	2.00	34			
2028	1.75	4.00	2.31	56	1.75	5.00	2.12	37			
2029	1.83	4.00	2.44	61	1.83	5.00	2.21	38			
2030	1.88	2.50	2.75	87	1.88	5.00	2.30	42			
2031	1.93	2.63	2.85	92	1.93	5.00	2.35	42			
2032	1.99	2.75	2.95	96	1.99	5.00	2.41	42			
2033	2.04	2.75	3.00	96	2.04	4.00	2.74	70			
2034	2.09	3.00	3.05	96	2.09	4.00	2.79	70	4.00	2.54	45
2035	2.14	3.00	3.10	96	2.14	4.00	2.84	70	4.00	2.59	45
2036	2.18				2.18				4.00	2.65	47
2037	2.21				2.21	3.00	3.12	91	3.00	3.08	87
2038	2.24				2.24				4.00	2.71	47
2039	2.26				2.26				3.00	3.10	84
2040	2.27				2.27						
2041	2.28				2.28						
2042	2.29				2.29				4.00	2.79	50
2043	2.30				2.30						
2044	2.31				2.31						
2045	2.32				2.32				3.00	3.15	83
2046	2.33				2.33						

	HEMET USD-SER A -REF-COPS			SOUTH COAST WTR DT -REF-A			POPE VLY UNION ESD -A			Issue		WINTERS JT USD-B		
	9/27/2016			9/27/2016			9/27/2016			Award		9/28/2016		
	\$ 23,965,000			\$ 13,325,000			\$ 2,000,000			Par		\$ 5,000,000		
	MORGAN STANLEY			HILLTOP			STIFEL			U/W		DA DAVIDSON		
	COP'S			REVS			GO ULT			Type		GO UPT		
	A-			AA+			AA			Rate		A+		
AAA MMD	10/1/2026			2/1/2026			8/1/2026			Call Schd	AAA MMD	8/1/2024		
9/26/16	AGM						BQ			misc	9/27/16	BAM/BQ		
	cpn	yld	spd	cpn	yld	spd	cpn	yld	spd			cpn	yld	spd
0.76				2.00	0.66	-10	2.00	0.71	-5	2017	0.76	2.00	0.80	4
0.80				4.00	0.78	-2	2.00	0.80	0	2018	0.80	2.00	0.90	10
0.87				4.00	0.83	-4	2.00	0.86	-1	2019	0.87	1.20	1.20	33
0.96				4.00	0.90	-6				2020	0.95	2.00	1.30	35
1.04				4.00	0.98	-6				2021	1.02	2.00	1.45	43
1.13				4.00	1.06	-7				2022	1.11	2.00	1.70	59
1.22	4.00	1.63	41	4.00	1.16	-6				2023	1.20	2.25	2.25	105
1.33	4.00	1.75	42	5.00	1.25	-8				2024	1.30	2.50	2.55	125
1.42	4.00	1.87	45	5.00	1.38	-4				2025	1.39	3.00	2.65	126
1.51	4.00	1.98	47	5.00	1.49	-2				2026	1.48	3.50	2.40	92
1.60	5.00	2.09	49	4.00	1.72	12				2027	1.57	3.00	3.07	150
1.70	5.00	2.18	48	4.00	1.93	23				2028	1.67	4.00	2.65	98
1.79	5.00	2.26	47	4.00	2.10	31				2029	1.76	4.00	2.54	78
1.85	4.00	2.58	73							2030	1.82	4.00	2.60	78
1.90	4.00	2.63	73				2.50	2.70	80	2031	1.87	4.00	2.65	78
1.96	4.00	2.69	73							2032	1.93			
2.01	4.00	2.74	73							2033	1.98			
2.06	3.00	3.08	102							2034	2.03			
2.11										2035	2.08			
2.15							2.75	2.95	80	2036	2.12			
2.18										2037	2.15			
2.21										2038	2.18			
2.23										2039	2.20			
2.24										2040	2.21			
2.25										2041	2.22	2.63	2.96	74
2.26										2042	2.23			
2.27										2043	2.24			
2.28										2044	2.25			
2.29										2045	2.26			
2.30							4.25	3.39	109	2046	2.27	2.75	3.01	74



CAMROSA WTR DT FIN AUTH				ESCONDIDO UNION HSD-REF			Issue	CA DPTMT VETERANS AFFAIRS				MID-PENINSULA WTD		
9/29/2016				9/29/2016			Award	SERIES B (NON-AMT)				As of 10/7/2016		
\$ 14,020,000				\$ 8,100,000			Par	\$ 116,700,000				\$ 19,630,000		
STIFEL				PIPER JAFFRAY			U/W	RBC				TBD		
REVS				COP'S			Type	REV				REV		
AA				AA (A+)			Rate	Aa3/AA/AA-						
AAA MMD 1/15/2026				9/1/2026			Call Schd	AAA MMD 6/1/2026				10/1/2026		
9/28/16				BAM/BQ			misc	10/6/16						
	cpn	yld	spd	cpn	yld	spd			cpn	yld	spd	cpn	yld	spd
0.74	2.00	0.67	-7	3.00	0.87	13	2017	0.78				5.00	0.85	7
0.78	3.00	0.78	0	3.00	1.00	22	2018	0.86				5.00	1.05	19
0.86	4.00	0.82	-4	3.00	1.09	23	2019	0.93				5.00	1.25	32
0.96	4.00	0.88	-8	4.00	1.23	27	2020	1.00				5.00	1.35	35
1.04	4.00	1.00	-4	4.00	1.37	33	2021	1.08				5.00	1.37	29
1.14	4.00	1.08	-6	4.00	1.46	32	2022	1.16				5.00	1.47	31
1.25	5.00	1.16	-9	4.00	1.58	33	2023	1.27				5.00	1.62	35
1.37	4.00	1.26	-11	4.00	1.68	31	2024	1.40				5.00	1.85	45
1.46	4.00	1.42	-4	4.00	1.79	33	2025	1.53				5.00	2.03	50
1.55	3.50	1.52	-3	4.00	1.90	35	2026	1.64				5.00	2.15	51
1.64	3.50	1.71	7	5.00	2.02	38	2027	1.75				2.25	2.25	50
1.73	2.50	2.07	34	5.00	2.17	44	2028	1.85				2.43	2.43	58
1.81	2.00	2.32	51	4.00	2.38		2029	1.93	3.00	3.00	107	2.45	2.45	52
1.86	2.25	2.52	66	4.00	2.48	62	2030	2.00	3.00	3.00	100	2.56	2.56	56
1.91	2.38	2.67	76	4.00	2.58	67	2031	2.06	3.00	3.00	94	2.77	2.77	71
1.97	4.00	2.38	41	4.00	2.65	68	2032	2.12	3.30	3.30	118	2.88	2.88	76
2.02	4.00	2.43	41	2.75	2.96	94	2033	2.17	3.30	3.30	113	3.03	3.03	86
2.07	4.00	2.48	41	3.00	3.02	95	2034	2.22	3.30	3.30	108	3.08	3.08	86
2.12	4.00	2.53	41				2035	2.26	3.30	3.30	104	3.13	3.13	87
2.16	4.00	2.57	41				2036	2.30	3.30	3.30	100	3.18	3.18	88
2.19				3.00	3.10	91	2037	2.33	3.45	3.45	112	3.25	3.25	92
2.22							2038	2.36	3.45	3.45	109	3.27	3.27	91
2.24							2039	2.38	3.45	3.45	107	3.30	3.30	92
2.25							2040	2.39	3.45	3.45	106	3.32	3.32	93
2.26	5.00	2.42	16				2041	2.40	3.45	3.45	105	3.40	3.40	100
2.27							2042	2.41	3.50	1.95	-46	3.40	3.40	99
2.28							2043	2.42	3.50	1.95	-47	3.40	3.40	98
2.29							2044	2.43	3.50	1.95	-48	3.40	3.40	97
2.30							2045	2.44	3.50	1.95	-49	3.40	3.40	96
2.31	5.00	2.47	16				2046	2.45	3.50	3.50	105	3.40	3.40	95

**NOTICE OF INTENTION TO SELL SECURITIES**

§ \_\_\_\_\_  
**(Preliminary, subject to change)**  
**Certificates of Participation**  
**(2016 Financing Project)**  
**Evidencing Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Installment Payments to be Made by the**  
**MID-PENINSULA WATER DISTRICT**  
**(San Mateo County, California)**  
**As the Purchase Price for Certain Property Pursuant to an**  
**Installment Sale Agreement with the**  
**Public Property Financing Corporation of California**

NOTICE IS HEREBY GIVEN, pursuant to section 53692 of the California Government Code, that the Mid-Peninsula Water District (the “District”) invites bids for the purchase of \$ \_\_\_\_\_ (preliminary, subject to change) aggregate principal amount of the captioned certificates of participation (the “Certificates”). Bids will be received on

**TUESDAY, NOVEMBER 15, 2016**

until 10:00 A.M., Pacific Daylight time, electronically only through the I-Deal LLC BiDCOMP/PARITY<sup>®</sup> system, and the sale will be awarded by the District within 26 hours after the expiration of the time prescribed for the receipt of bids. The sale of the Certificates will be conducted upon the terms and conditions set forth in the Official Notice of Sale for the Certificates. Such Official Notice of Sale and the Preliminary Official Statement describing the Certificates will be distributed to prospective bidders by the financial advisor to the District, Wulff, Hansen & Co., 351 California Street, Suite 1000, San Francisco, CA 94104, telephone (415) 421-8900, Attention: Mr. Bud Levine. Bids will be entertained only from bidders to whom such Official Notice of Sale and Preliminary Official Statement have been distributed. Legal opinion: Quint & Thimmig LLP, Larkspur, California.

Dated: November 7, 2016

[TO BE PUBLISHED IN THE *BOND BUYER* ON MONDAY, NOVEMBER 7, 2016]

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## OFFICIAL NOTICE OF SALE

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\$ \_\_\_\_\_\*

**Certificates of Participation  
(2016 Financing Project)  
Evidencing Direct, Undivided Fractional Interests of the  
Owners Thereof in Installment Payments to be Made by the  
MID-PENINSULA WATER DISTRICT  
(San Mateo County, California)  
As the Purchase Price for Certain Property Pursuant to an  
Installment Sale Agreement with the  
Public Property Financing Corporation of California**

NOTICE IS HEREBY GIVEN that *electronic bids only* will be received by representatives of the Mid-Peninsula Water District (the "District") for the purchase of \$ \_\_\_\_\_\* aggregate principal amount of Certificates of Participation (2016 Financing Project) (the "Certificates"), evidencing the direct, undivided fractional interests of the owners thereof in installment payments (the "Installment Payments") to be made by the District as the purchase price for certain property pursuant to an installment sale agreement (the "Installment Sale Agreement") with the Public Property Financing Corporation of California (the "Corporation"), more particularly described below.

**DATE AND TIME:** TUESDAY, NOVEMBER 15, 2016, until 10:00 A.M. (Pacific Daylight Time).

**SUBMISSION OF BIDS:** Bids may be submitted (for receipt not later than the time set forth above) *electronically only* through the I-Deal LLC BiDCOMP/PARITY® system. See "FORM OF BID" herein.

**ISSUE; BOOK ENTRY:** The Certificates will be dated as of their date of delivery and will be executed and delivered in fully registered form, without coupons, in the denomination of \$5,000 each or any whole multiple thereof, pursuant to the Trust Agreement, dated as of December 1, 2016 (the "Trust Agreement"), by and among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as approved by a resolution of the Board of Directors of the District, adopted on October 11, 2016 (the "Resolution"). The Certificates will be executed and delivered in a book entry-only system with no physical distribution of the Certificates made to the public. The Depository Trust Company ("DTC"), will act as depository for the Certificates which will be immobilized in its custody. The Certificates will be registered in the name of Cede & Co., as nominee for DTC, on behalf of the participants in the DTC system and the subsequent beneficial owners of the Certificates. Reference is made to the Trust Agreement for further details regarding the terms and provisions of the Certificates.

**MATURITIES:** The Certificates will mature, or be subject to mandatory sinking fund redemption, on December 1, in the years and in the amounts, as set forth in the following table. *Each bidder is required to specify in its bid whether, for any particular year, the Certificates will mature or, alternately, be subject to mandatory sinking fund redemption in such year:*

Maturity Date (December 1)	Principal Amount*	Maturity Date (December 1)	Principal Amount*
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\*Preliminary, subject to change.

**ADJUSTMENT OF PRINCIPAL AMOUNTS AND OF MATURITIES:** The maturity amounts set forth above for the Certificates may be adjusted either upward or downward in order to achieve approximately equal annual savings after award of the Certificates has been made to the successful bidder. The successful bidder will be notified of the actual principal amounts and maturity schedule relating to the Certificates within 6 hours after the expiration of the time prescribed for the receipt of proposals. Any increase or decrease will be in \$5,000 increments of principal amounts. In the event of any such adjustment, no re-bidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn. The successful bidder will not be permitted to change the interest rates in its bid.

**INTEREST:** Interest with respect to the Certificates, calculated on a 30/360 day basis, at a rate or rates to be fixed upon the sale thereof but not to exceed 12% per annum, will be payable semiannually on each June 1 and December 1, commencing June 1, 2017.

**PAYMENT:** Principal of the Certificates will be payable upon surrender to the Trustee. Interest with respect to the Certificates will be payable by check or draft mailed by first class mail to the owner at the address listed on the registration books maintained by the Trustee for such purpose.

**OPTIONAL REDEMPTION:** The Certificates maturing on or before December 1, 2026, are not subject to optional redemption prior to maturity. The Certificates maturing on and after December 1, 2027, are subject to optional redemption in whole or in part on any date in such order of maturity as shall be designated by the District (or, if the District shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, on or after December 1, 2026, at a redemption price equal to the principal amount of the Certificates to be redeemed, together with accrued interest, without premium, to the date fixed for redemption, from the proceeds of the optional prepayment of Installment Payments made by the District pursuant to the Installment Sale Agreement.

**REDEMPTION FROM NET PROCEEDS OF INSURANCE OR EMINENT DOMAIN**

**AWARD:** The Certificates are subject to mandatory redemption in whole on any date or in part, on any Interest Payment Date from the net proceeds of an insurance, condemnation, or eminent domain award to the extent credited towards the prepayment of the Installment Payments by the District pursuant to the Installment Sale Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

**SINKING FUND REDEMPTION:** Any bidder may, at its option, specify that one or more maturities of the Certificates will consist of term Certificates which are subject to mandatory sinking fund redemption in consecutive years immediately preceding the maturity thereof, as designated in the bid of such bidder. In the event that the bid of the successful bidder specifies that any maturity of Certificates will be term Certificates, such term Certificates will be subject to mandatory sinking fund redemption on December 1 in each year so designated in the bid, in the respective amounts for such years as set forth above under the heading "MATURITIES," at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

**PURPOSE:** The proceeds of the Certificates will be applied by the District to provide funds to (a) finance capital improvements to the water system (the "Water System") owned and operated by the Mid-Peninsula Water District (the "District"), and (b) pay costs incurred in connection with executing and delivering the Certificates.

**SECURITY:** The Certificates represent direct, undivided fractional interests in Installment Payments. The District is obligated under the Installment Sale Agreement to pay Installment Payments from Net Revenues (as such term is defined in the Installment Sale Agreement) of the Water System and certain other sources, all as provided in the Installment Sale Agreement. The obligation of the District to pay the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO PAY INSTALLMENT PAYMENTS CONSTITUTES A DEBT OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA.

**RATING:** S&P Global Ratings has assigned the underlying rating of "\_\_\_" to the Certificates. **The cost of obtaining such rating will be borne entirely by the District and not by the successful bidder.**

**TERMS OF SALE**

**INTEREST RATE:** No rate of interest may be bid which exceeds 12% per annum. Each rate bid must be a multiple of one-twentieth of one percent (1/20%) or one-eighth of one percent (1/8%). No Certificate shall bear more than one interest rate, and all Certificates of the same maturity shall bear the same rate. Each Certificate must bear interest at the rate specified in the bid from its date to its fixed maturity date. The rate on any maturity or group of maturities shall not be more than 4% higher than the interest rate on any other maturity or group of maturities. Interest rates shall be level or ascending as compared to the previous maturity.

**FORM OF BID; MAXIMUM DISCOUNT:** All bids must be for not less than all of the Certificates hereby offered for sale and for not less than 99% of the aggregate par amount thereof. The amount of any discount specified in any bid shall not exceed 1% of the aggregate principal amount of the Certificates. There is no limit to any premium offered.

*Electronic Bids.* To the extent any instructions or directions set forth in BiDCOMP/PARITY<sup>®</sup> conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about BiDCOMP/PARITY<sup>®</sup>, bidders may contact Wulff, Hansen & Co., Attention: Bud Levine (the "Municipal Advisor"), at (415) 421-8900 or BiDCOMP/PARITY<sup>®</sup> at (212) 404-8102.

THE DISTRICT RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE AND COMPLETE. NONE OF THE DISTRICT, THE MUNICIPAL ADVISOR, OR QUINT & THIMMIG LLP ("SPECIAL COUNSEL") TAKES ANY RESPONSIBILITY FOR INFORMING ANY BIDDER PRIOR TO THE TIME FOR RECEIVING BIDS THAT ITS BID IS INCOMPLETE, ILLEGIBLE OR NOT RECEIVED.

EACH BIDDER SUBMITTING AN ELECTRONIC BID UNDERSTANDS AND AGREES BY DOING SO THAT IT IS SOLELY RESPONSIBLE FOR ALL ARRANGEMENTS WITH BiDCOMP/PARITY<sup>®</sup> AND THAT BiDCOMP/PARITY<sup>®</sup> IS NOT ACTING AS AN AGENT OF THE DISTRICT. INSTRUCTIONS AND FORMS FOR SUBMITTING ELECTRONIC BIDS MUST BE OBTAINED FROM BiDCOMP/PARITY<sup>®</sup> AND THE DISTRICT ASSUMES NO RESPONSIBILITY FOR ENSURING OR VERIFYING BIDDER COMPLIANCE WITH THE PROCEDURES OF BiDCOMP/PARITY<sup>®</sup>. THE DISTRICT SHALL ASSUME THAT ANY BID RECEIVED THROUGH BiDCOMP/PARITY<sup>®</sup> HAS BEEN MADE BY A DULY AUTHORIZED AGENT OF THE BIDDER.

THE DISTRICT WILL MAKE ITS BEST EFFORTS TO ACCOMMODATE ELECTRONIC BIDS; HOWEVER THE DISTRICT, THE MUNICIPAL ADVISOR AND SPECIAL COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR ACCEPTED AT THE OFFICIAL TIME FOR RECEIPT OF BIDS. THE OFFICIAL TIME FOR RECEIPT OF BIDS WILL BE DETERMINED BY THE DISTRICT AND THE DISTRICT SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY BiDCOMP/PARITY<sup>®</sup> AS THE OFFICIAL TIME.

**BEST BID:** The Certificates will be awarded to the responsible bidder or bidders offering to purchase the Certificates at the *lowest true interest cost* to the District. The true interest cost of each bid will be determined on the basis of the present value of the aggregate future semiannual payments resulting from the interest rates specified by the bidder. The present value will be calculated to the dated date of the Certificates (assumed to be December 1, 2016) and will be based on the proposed bid amount (par value less any discount or plus any premium). For the purpose of making such determination, it shall be assumed that any Certificate designated as term certificates by the bidder shall be deemed to be payable on the dates and in the amounts as shown under the section entitled "MATURITIES" herein. Each bidder is requested, but not required, to state in his bid the percentage true interest cost to the District, which shall be considered as informative only and shall not be binding on either the bidder or the District. The determination of the best bid by the District's Municipal Advisor shall be binding and conclusive on all bidders.

**RIGHT OF CANCELLATION OF SALE BY DISTRICT:** The District reserves the right, in its sole discretion, at any time to cancel the public sale of the Certificates. In such event, the District shall cause notice of cancellation of this invitation for bids and the public sale of the

Certificates to be communicated through the *Bond Buyer Wire* as promptly as practicable. However, no failure to publish such notice or any defect or omission therein shall affect the cancellation of the public sale of the Certificates.

**RIGHT TO MODIFY OR AMEND:** The District reserves the right, in its sole discretion, to modify or amend this official Notice of Sale including, but not limited to, the right to adjust and change the principal amount and principal amortization schedule of the Certificates being offered, however, such modifications or amendments shall be made not later than 10:00 A.M., California time, on the business day prior to the bid opening and communicated through the *Bond Buyer Wire*.

**RIGHT OF POSTPONEMENT BY DISTRICT:** The District reserves the right, in its sole discretion, to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be communicated through the *Bond Buyer Wire* not later than 10:00 A.M., California time, on the business day prior to any announced date for receipt of bids. If any date is postponed, any alternative sale date will be announced through the *Bond Buyer Wire* at least 24 hours prior to such alternative sale date. On any such alternative sale date, any bidder may submit a bid for the purchase of the Certificates in conformity in all respects with the provisions of this Official Notice of Sale, except for the date of sale and except for the changes announced by through the *Bond Buyer Wire* at the time the sale date and time are announced.

**RIGHT OF REJECTION:** The District reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid except that no bids will be accepted later than 10:00 A.M. on the date set for receipt of bids.

**PROMPT AWARD:** Pursuant to authority granted by the Board, the District General Manager, or the District General Manager's designee, will take action awarding the Certificates or rejecting all bids not later than six (6) hours after the expiration of the time herein prescribed for the receipt of proposals; provided, that the award may be made after the expiration of the specified time if the bidder shall not have given to said Board notice in writing of the withdrawal of such proposal.

**PLACE OF DELIVERY; CANCELLATION FOR LATE DELIVERY:** It is expected that said Certificates will be delivered to DTC for the account of the successful bidder within twenty (20) days from the date of sale thereof. The successful bidder shall have the right, at his option, to cancel its obligation to purchase the Certificates if the Certificates are not tendered for delivery within sixty (60) days from the date of the sale thereof, and in such event the successful bidder shall be entitled to the return of the deposit accompanying his bid.

**GOOD FAITH DEPOSIT:** A good faith deposit ("Deposit") in the form of a certified or cashier's check or a wire transfer, in the amount of \$100,000 payable to the order of the Trustee, must be remitted by the winning bidder within 24 hours after the acceptance of its bid (wire instructions to be provided). The Deposit shall be cashed by the Trustee on behalf of the District and shall then be applied toward the purchase price of the Certificates. If after the award of the Certificates the successful bidder or bidders fail to complete their purchase on the terms stated in their bid, the Deposit will be retained by the District. No interest on the Deposit will accrue to any bidder.

**CHANGE IN TAX EXEMPT STATUS:** At any time before the Certificates are tendered for delivery, the successful bidder may disaffirm and withdraw his proposal if the interest received by private holders from Certificates of the same type and character shall be declared to be taxable income under present federal income tax laws, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable, or be required to be taken into account in computing federal income taxes (except alternative



minimum taxes and environmental taxes payable by corporations) by any federal income tax law enacted subsequent to the date of this notice.

**CLOSING PAPERS; CERTIFICATE PRINTING:** Each proposal will be understood to be conditioned upon the District furnishing to the purchaser, without charge, concurrently with payment for and delivery of the Certificates, the following closing papers, each dated the date of delivery:

(a) The opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, approving the validity of the Certificates and stating that, subject to the District's compliance with certain covenants, the portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but Special Counsel expresses no opinion as to whether the portion of the Installment Payments designated as and comprising interest is taken into account in computing adjusted current earnings which is used in determining the federal alternative minimum tax for certain corporations and the portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California. Other tax consequences to holders of the Certificates, if any, are not addressed in the opinion.

(b) A certificate of the District certifying that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Certificates will be used in a manner that would cause the Certificates to be arbitrage bonds;

(c) A certificate of the District, signed by officers and representatives of the District, certifying that the officers and representatives have signed the Certificates whether by facsimile or manual signature, and that they were respectively duly authorized to execute the same;

(d) The receipt of the District evidencing the receipt of the purchase price of the Certificates;

(e) A certificate of the District, certifying that there is no known litigation threatened or pending affecting the validity of the Certificates; and

(f) A certificate of the District, signed by an officer of the District, acting in his official capacity, to the effect that at the time of the sale of the Certificates, and at all times subsequent thereto up to and including the time of the delivery of the Certificates, the Official Statement relating to the Certificates did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

**CUSIP NUMBERS:** It is anticipated that CUSIP numbers will be printed on the Certificates, but neither the failure to print such numbers on any Certificate nor error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Certificates in accordance with the terms of the purchase contract. All expenses of printing CUSIP numbers on the Certificates and the CUSIP Service Bureau charge for the assignment of said numbers shall be paid by the successful bidder.

**CERTIFICATION OF REOFFERING PRICE:** The successful bidder shall be required, as a condition to the issuance of the Certificates, to deliver to the District a certificate, in form and substance satisfactory to Special Counsel, stating (i) that, as of the date of award, the Certificates were expected to be reoffered in a bona fide public offering, (ii) the initial offering

price at which a substantial amount (at least 10%) of each maturity of the Certificates were sold to the public, and (iii) that no Certificates of a single maturity were offered at one price to the general public and at a discount from that price to institutional or other investors.

**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION:** The successful bidder will be required, pursuant to State law, to pay any fees to the California Debt and Investment Advisory Commission when due.

**DTC FEES:** All fees due DTC with respect to the Certificates shall be paid by the successful bidder or bidders.

**OFFICIAL STATEMENT:** The District has caused to be prepared a Preliminary Official Statement describing the Certificates in a form deemed final by the District within the meaning of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, except for certain information which is permitted under said Rule 15c2-12 to be omitted from the Preliminary Official Statement. A copy of the Preliminary Official Statement will be furnished upon request to Wulff, Hansen & Co., 351 California Street, Suite 1000, San Francisco, CA 94104, Attention: Bud Levine, telephone (415) 421-8900. The District will furnish to the successful bidder within seven business days following the date of award, at no charge, not in excess of fifty (50) copies of the Official Statement for use in connection with any resale of the Certificates.

**DISCLOSURE CERTIFICATE:** The District will deliver to the purchaser of the Certificates a certificate of an official of the District, dated the date of delivery of the Certificates, stating that as of the date thereof, to the best of the knowledge and belief of said official, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and further certifying that the signatory knows of no material adverse change in the condition of the District which would make it unreasonable for the purchaser of the Certificates to rely upon the Official Statement in connection with the resale of the Certificates. The District has never failed to provide annual reports or notices of material events.

**CONTINUING DISCLOSURE:** In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), the District will undertake, pursuant to the resolution authorizing issuance of the Certificates and a Continuing Disclosure Certificate, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the preliminary Official Statement and will also be set forth in the final Official Statement.

Dated: October 31, 2016

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**INSTALLMENT SALE AGREEMENT**

**Dated as of December 1, 2016**

**by and between the**

**PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, as Seller**

**and the**

**MID-PENINSULA WATER DISTRICT, as Purchaser**

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**(2016 Financing Project)**

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## INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, dated as of December 1, 2016, by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit, public benefit corporation organized and existing under the laws of the State of California, as seller (the "Corporation"), and the MID-PENINSULA WATER DISTRICT, a water district, organized and existing under the Constitution and laws of the State of California, as purchaser (the "District");

### W I T N E S S E T H :

WHEREAS, the District has determined that, due to prevailing financial market conditions, it is in the best interests of the District to finance the acquisition and construction of certain improvements and facilities (the "Project") which constitute part of the District's municipal water system (the "Water System");

WHEREAS, the Board of Directors of the District has determined that in order to accomplish such financing it is necessary and desirable to purchase the Project from the Corporation pursuant to this Installment Sale Agreement; and

WHEREAS, the District will agree to make installment payments pursuant to this Installment Sale Agreement in order to purchase the Project from the Corporation;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

## ARTICLE I

### DEFINITIONS AND EXHIBITS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in Exhibit A attached hereto shall, for all purposes of this Installment Sale Agreement, have the meanings specified therein.

Section 1.02. Content of Written Certificates. Every certificate provided for in this Installment Sale Agreement with respect to compliance with any provision hereof shall include (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate is based; (c) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (d) a statement of the assumptions upon which such certificate is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate made or given by a District Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such District Representative 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 accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the District, as the case may be) upon a certificate or opinion of or representation by a District Representative, unless such counsel or 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 District Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Installment Sale Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.03. Exhibits. The following Exhibits are attached to, and by this reference are made a part of, this Installment Sale Agreement:

- Exhibit A: Definitions
- Exhibit B: Project Description
- Exhibit C: The schedule of Installment Payments to be paid by the District to the Corporation, showing the Installment Payment Date and amount of each Installment Payment.



ARTICLE II  
REPRESENTATIONS, COVENANTS AND  
WARRANTIES

Section 2.01. Representations, Covenants and Warranties of the District. The District represents, covenants and warrants to the Corporation as follows:

(a) The District is a water district, duly organized and existing under the Constitution and laws of the State.

(b) The Constitution and the laws of the State authorize the District to enter into this Installment Sale Agreement and the Trust Agreement and to enter into the transactions contemplated by and to carry out its obligations under each of the aforesaid agreements, and the District has duly authorized and executed each of the aforesaid agreements.

(c) Neither the execution and delivery of this Installment Sale Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a material breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound or constitutes a default under any of the foregoing.

(d) The District has duly authorized and executed this Installment Sale Agreement in accordance with the laws of the State.

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

(a) The Corporation is a nonprofit, public benefit corporation duly organized, existing and in good standing under and by virtue of the laws of the State; has power to enter into this Installment Sale Agreement, the Assignment Agreement and the Trust Agreement; is possessed of full power to own and hold real and personal property, and to sell the same; and has duly authorized the execution and delivery of all of the aforesaid agreements.

(b) The Corporation will not pledge the Installment Payments or other amounts derived from its rights under this Installment Sale Agreement, and will not mortgage or encumber the Water System, except as provided under the terms of this Installment Sale Agreement, the Assignment Agreement and the Trust Agreement.

(c) Neither the execution and delivery of, this Installment Sale Agreement, the Assignment Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a material breach of the terms, conditions or provisions of any restriction or any agreement, instrument, regulation or law to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing.

(d) Except as provided herein, the Corporation will not assign this Installment Sale Agreement, its right to receive Installment Payments from the District or its duties and

obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.02.

### ARTICLE III

#### DEPOSIT OF MONEYS

Section 3.01. Deposit of Moneys. On the Closing Date, the Corporation shall cause to be deposited with the Trustee, the sum of \$\_\_\_\_\_, derived from Certificate proceeds, the Trustee shall deposit or transfer the following amounts: (a) an amount equal to \$\_\_\_\_\_ shall be deposited in the Delivery Costs Fund; and (b) an amount equal to \$\_\_\_\_\_ shall be deposited in the Project Fund.

Section 3.02. Acquisition and Construction of the Project. The Corporation hereby appoints the District its agent to acquire and construct the Project.

Section 3.03. Payment of Project Costs and Delivery Costs. Payment of the Project Costs shall be made from the moneys deposited with the Trustee in the Project Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.02 of the Trust Agreement. Payment of Delivery Costs shall be made from the moneys deposited with the Trustee in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.04 of the Trust Agreement. The District hereby covenants to pay necessary Project Costs and Delivery Costs in excess of amounts available from Certificate proceeds from any legally available source of funds.

Section 3.04. Unexpended Proceeds. In accordance with Section 3.05 of the Trust Agreement, all excess moneys remaining in the Project Fund and not required for payment of Project Costs shall be transferred to the Installment Payment Fund for application to payment of the Installment Payments as the same become due and payable.

## ARTICLE IV

### SALE OF PROJECT; TITLE TO THE PROJECT; TERM OF THE INSTALLMENT SALE AGREEMENT; INSTALLMENT PAYMENTS

Section 4.01. Sale. The Corporation hereby sells, bargains and conveys the Project to the District, and the District hereby purchases the Project from the Corporation upon the terms and conditions set forth in this Installment Sale Agreement.

Section 4.02. Title. The District and the Corporation agree that title to the Project shall be deemed conveyed to and vested in the District on the Closing Date, subject only to Permitted Encumbrances. The Corporation and its officers shall take all actions necessary to vest in the District all of the Corporation's rights in and title to the Project.

Section 4.03. Term of the Installment Sale Agreement. The Term of the Installment Sale Agreement shall commence as of the date hereof and shall end on December 1, \_\_\_\_, unless such term is extended or sooner terminated as hereinafter provided. If on December 1, \_\_\_\_, the Trust Agreement shall not be discharged by its terms, then the Term of the Installment Sale Agreement shall be extended until the date on which the Trust Agreement shall be discharged by its terms. If prior to December 1, \_\_\_\_, the Trust Agreement shall be discharged by its terms, the Term of the Installment Sale Agreement shall thereupon end.

#### Section 4.04. Installment Payments.

(a) *Obligation to Pay*. The District agrees to pay to the Corporation, its successors and assigns, as the purchase price of the Project, the Installment Payments, consisting of components of principal and interest, on the Installment Payment Dates and in the amounts specified in Section 4.06(b) hereof, except such amounts shall be reduced by moneys on deposit in the Installment Payment Fund and credited to the payment of Installment Payments next due. The Installment Payments shall be payable solely from Net Revenues as hereinafter provided. The first Installment Payment shall be due on May 15, 2017.

(b) *Reduction Upon Partial Prepayment*. In the event the District prepays less than all of the remaining principal components of the Installment Payments pursuant to Sections 10.02 and 10.03 hereof, the amount of such prepayment shall be applied to reduce the principal component of the subsequent remaining Installment Payments in inverse order of Installment Payment Date and the interest component of each subsequent remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates redeemed as a result of such prepayment. The District shall provide the Trustee with a revised Installment Payment schedule.

(c) *Rate on Overdue Payments*. In the event the District should fail to make any of the payments required in this Section 4.04 so that there are insufficient moneys on hand in the Installment Payment Fund to pay any Installment Payment in full on an Installment Payment Date, the Installment Payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date thereof at the rate of interest payable with respect to the Certificates. Such interest, if received, shall be deposited in the Installment Payment Fund if withdrawals were made therefrom as a result of the default.

(d) *Assignment*. The District understands and agrees that the Corporation has assigned its right, title and interest (but not its duties or obligations) in this Installment Sale Agreement to the Trustee pursuant to the Assignment Agreement for the benefit of the Owners and the District assents to such assignment. The Corporation hereby directs the District, and the District hereby agrees, to pay to the Trustee at the Trustee's principal corporate trust office or at such other place as the Trustee shall direct in writing, all payments payable by the District pursuant to this Section 4.04 and all amounts payable by the District pursuant to Article X hereof.

Section 4.05. Special Obligation of the District. The District's obligation to pay the Installment Payments shall be a special obligation limited solely to Net Revenues. Under no circumstances shall the District be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments, nor shall any other funds or property of the District be liable for the payment of the Installment Payments.

The obligations of the District to make the Installment Payments from Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach of the District, the Corporation or the Trustee of any obligation to the District or otherwise with respect to the Project, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation or the Trustee. Until such time as all of the Installment Payments shall have been fully paid or prepaid, the District (a) will not suspend, abate, or discontinue any payments provided for in Section 4.04 hereof, (b) will perform and observe all other agreements contained in this Installment Sale Agreement, and (c) will not terminate the Term of the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Corporation or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement, the Assignment Agreement or this Installment Sale Agreement.

Nothing contained in this Section 4.05 shall be construed to release the Corporation from the performance of any of the agreements on its part herein contained, and in the event the Corporation shall fail to perform any such agreements on its part, the District may institute such action against the Corporation as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the first sentence of the preceding paragraph. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Corporation prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's right of possession, occupancy and use hereunder, and in such event the Corporation hereby agrees to cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District shall so request.

Section 4.06. Pledge of Net Revenues; Deposits to Pay Installment Payments; Release from Lien.

(a) *Pledge of Net Revenues*. The District hereby agrees that the payment of the Installment Payments shall be secured by a pledge, charge and first and prior lien upon Net Revenues, and

Net Revenues sufficient to pay the Installment Payments as they become due and payable are hereby pledged, charged, assigned, transferred and set over by the District to the Corporation and its assigns for the purpose of securing payment of the Installment Payments. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments.

(b) *Transfer to Pay Installment Payments.* In order to provide for the payment of Installment Payments when due, the District shall, on or before each Installment Payment Date, transfer to the Trustee for deposit into the Installment Payment Fund the amount indicated in Exhibit C attached hereto as required for the next occurring Installment Payment Date. Notwithstanding Exhibit C attached hereto, the District shall be obligated to make Installment Payments sufficient to pay all principal and interest due with respect to the Certificates.

(c) *Release from Lien.* Following the transfer described in paragraph (b) of this Section 4.06 with respect to the November 15 Installment Payment Date, Net Revenues in excess of amounts required for the payment of Installment Payments and any Parity Debt in that Fiscal Year shall be released from the lien of this Installment Sale Agreement and shall be available for any lawful purpose of the District.

(d) *Limitation on Use of Net Revenues for Capital Improvements.* The District hereby agrees that Net Revenues shall not be applied for the payment of capital improvements relating to the Water System until such Net Revenues have been released from the lien of this Installment Sale Agreement as described in paragraph (c) of this Section 4.06.

#### Section 4.07. Rate Covenant.

(a) The District hereby covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Water System which, after allowances for contingencies and error in the estimates, shall produce Gross Water System Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.30 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt.

(b) If, in any Fiscal Year, charges for the services and facilities of the Water System which, after allowances for contingencies and error in the estimates, shall produce Gross Water System Revenues insufficient in each Fiscal Year to provide Net Revenues equal to at least 1.30 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt, the District covenants and agrees notify the Trustee of such fact and to employ an independent consultant to make recommendations as to a revision of the rates, fees and charges of the Water System or the methods of operation of the Water System that will result in producing Net Revenues equal to at least 1.30 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt.

(c) The District covenants and agrees that it shall, promptly upon its receipt of such recommendations from such consultant, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the Board of Directors of the District that such recommendations, in whole or in part, are in the best interests of the District, revise its rates, fees and charges or its methods of operation or collections and shall take such other action as shall be in conformity with such recommendations. In the event that the District fails to comply with such recommendations, subject to the applicable requirements or restrictions imposed by law and to the determination of the Board of Directors of the District that such recommendations are in the best interests of the District, the Corporation, or its assignee, may, in addition to the rights and remedies elsewhere set forth in this Installment Sale Agreement, and shall, upon the written request of the Owners of a majority in principal amount

of the Certificates then Outstanding, and being indemnified to its satisfaction therefor, institute and prosecute an action or proceeding in a court of competent jurisdiction to compel the District to comply with the recommendations and requirements of this paragraph (c). If the District complies in all material respects with the reasonable recommendations of the consultant in respect to said rates, fees, charges and methods of operation or collection (as evidenced by an officer's certificate of such consultant or the District, upon which the Trustee may conclusively rely), the District will be deemed to have complied with the covenants described above notwithstanding that Net Revenues shall be less than the amount required under this Installment Sale Agreement for such Fiscal Year; provided, however, that such rates, fees, charges and methods of operation or collection shall produce Net Revenues equal to at least 100% of (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt; provided further, that this sentence shall not be construed as in any way excusing the District from taking any action or performing any duty required under this Installment Sale Agreement or be construed as constituting a waiver of any other Event of Default.

Section 4.08. Limitations on Future Obligations Secured by Net Revenues.

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

(b) *Parity Debt.* The District further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to Section 10.02 hereof, the District shall not issue or incur any Parity Debt unless:

(i) The District is not in default under the terms of this Installment Sale Agreement;

(ii) The Net Revenues for the most recent audited Fiscal Year preceding the date of the adoption by the Board of Directors of the District of the resolution authorizing the incurrence of such Parity Debt, as evidenced by both a calculation prepared by the District and the special report prepared by an Independent Certified Public Accountant on such calculation on file with the District, shall have produced a sum equal to at least one hundred twenty per cent (120%) of the Debt Service for such Fiscal Year, and

(iii) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Project, as evidenced by an Engineer's Report on file with the District, plus (after giving effect to the completion of all uncompleted Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the rates, fees and charges estimated to be fixed and prescribed for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by such Engineer's Report on file with the District, shall produce a sum equal to at least one hundred twenty per cent (120%) of the estimated Debt Service for each of such Fiscal Years, after giving effect, in either case, to the execution of all Parity Debt estimated to be required to be executed or issued to pay the costs of completing all uncompleted Projects, assuming that all such Parity Debt have maturities, interest rates and proportionate principal repayment provisions similar to the Parity Debt that were first issued for the purpose of acquiring and constructing such uncompleted Project.

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(iii):

(A) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions, improvements or extensions which have been from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District, may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(iii).

(B) An allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(iv) Interest with respect to such Parity Debt shall be paid on the Interest Payment Dates.

(v) Principal with respect to such Parity Debt shall be paid on December 1.

The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Parity Debt have been satisfied.

(c) *Subordinate Debt.* The District further covenants that the District shall not issue or incur any Subordinate Debt unless:

(i) The District is not in default under the terms of this Installment Sale Agreement;

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent twelve (12) month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Subordinate Debt is issued or incurred, plus, at the option of the District, the additional allowance described below, shall have amounted to at least 1.0 times the maximum Debt Service coming due and payable in any future Fiscal Year; and

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (c)(ii):

(A) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions,



improvements or extensions which have been from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District, may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (c)(ii).

(B) An allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(iii) Interest with respect to such Subordinate Debt shall be paid on the Interest Payment Dates.

(iv) Principal with respect to such Subordinate Debt shall be paid on December 1.

The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Subordinate Debt have been satisfied.

(d) *State Loans.* The District may borrow money from the State to finance improvements to the Water System, without complying with the provisions of paragraphs (b)(iv) or (v) above, relating to the issuance of Parity Debt, and the obligation of the District to make payments to the State under the loan agreement memorializing said loan (the "State Loan") may be treated as Parity Debt for purposes of this Installment Sale Agreement; provided that the District shall not make a payment on such State Loan (except as hereinafter expressly provided) to the extent it would have the effect of causing the District to fail to pay Installment Payments on a timely basis. In the event the Water System does not produce sufficient funds to make the full Installment Payments and such State Loan, the District shall make Installment Payments and such State Loan on a pro rata basis

Section 4.09. Additional Payments. In addition to the Installment Payments, the District shall pay, from Net Revenues, when due the following Additional Payments:

(a) Any amounts due to the Trustee pursuant to the Trust Agreement for all services rendered under the Trust Agreement and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Trust Agreement.

(b) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the District, the Corporation or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Installment Sale Agreement or the Trust Agreement.

(c) Any reasonable out-of-pocket expenses of the District in connection with the execution and delivery of this Installment Sale Agreement or the Trust Agreement, or in connection with the execution and delivery of the Certificates, including any and all expenses incurred in connection with the authorization, execution, sale and delivery of the Certificates, or incurred by the Corporation in connection with any litigation which may at any time be instituted involving this Installment Sale Agreement, the Trust Agreement, the Certificates or any of the other documents contemplated hereby or thereby, or incurred by the Corporation in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration thereof.

## ARTICLE V

### MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 5.01. Maintenance, Utilities, Taxes and Assessments. The District covenants to operate the Water System in an efficient and economical manner and operate, maintain and preserve the Water System in good repair and working order.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or the District or levied, assessed or charged against the Water System or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Installment Sale Agreement as and when the same become due. The District shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by the Corporation, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the District that, in the opinion of Independent Counsel, by nonpayment of any such items, or the Project or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation. The District shall provide the Corporation with written notice of any such contest and shall provide such updates on the contest as the Corporation may reasonably request.

Section 5.02. Modification of Project. The District shall, at its own expense, have the right to remodel the Project or to make additions, modifications and improvements thereto. All such additions, modifications and improvements shall thereafter comprise part of the Project and be subject to the provisions of this Installment Sale Agreement. Such additions, modifications and improvements shall not in any way damage the Project or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Project, upon completion of any additions, modifications and improvements made pursuant to this Section 5.02, shall be of a value which is not substantially less than the value of the Project immediately prior to the making of such additions, modifications and improvements.

Section 5.03. Public Liability and Property Damage Insurance. The District shall maintain or cause to be maintained, throughout the Term of the Installment Sale Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Corporation, the District and the Trustee, their members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the construction or operation of the Water System (but only if such insurance is available at reasonable cost on the open market from reputable insurance companies). Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or

deaths of two or more persons in each accident or event, and in a minimum amount of \$250,000 (subject to a deductible clause of not to exceed \$300,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained in the form of insurance maintained through a nonprofit, public benefit corporation created for such purpose or in the form of self-insurance by the District. If the District shall maintain self-insurance, it shall supply to the Trustee a statement of sufficiency by an independent insurance consultant or the District's risk General Manager on an annual basis as described in Section 5.05 hereof. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.04. Fire and Extended Coverage Insurance. The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Installment Sale Agreement, insurance against loss or damage to any structures constituting any part of the Water System (excluding transmission and distribution pipelines and equipment in public and private rights-of-way) by fire and lightning, with extended coverage insurance. Such insurance shall be in an amount equal to the greater of 100% of the replacement cost of the Project or the then Outstanding principal amount of Certificates. Such insurance may be subject to a deductible clause of not to exceed ten percent of said replacement cost for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the District, and may be maintained in the form of insurance maintained through a nonprofit, public benefit corporation created for such purpose or in the form of self-insurance by the District. If the District shall maintain self-insurance, it will supply to the Trustee a statement of sufficiency by an independent insurance consultant or the District's risk General Manager on an annual basis as described in Section 5.05 hereof. The Net Proceeds of such insurance shall be applied as provided in Section 6.01(a) hereof.

Section 5.05. Insurance Net Proceeds; Form of Policies. The insurance required by Section 5.04 hereof shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners and shall name the Trustee as an additional insured. The District shall pay or cause to be paid when due the premiums for all insurance policies required by this Installment Sale Agreement. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance herein required or for the obtaining of such insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the District. The District shall cause to be delivered to the Trustee annually, no later than the end of each Fiscal Year, a Written Certificate signed by a District Representative stating that the District is in compliance with Sections 5.03 and 5.04 of this Agreement. The Trustee may conclusively rely on such certificate.

Section 5.06. Advances. If the District shall fail to perform any of its obligations under this Article V, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the District shall be obligated to repay all such advances as soon as possible, with interest at the rate of interest with respect to the Certificates from the date of the advance to the date of repayment.

Section 5.07. Installation of District's Equipment. The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Project. All such items shall

remain the sole property of the District, in which neither the Corporation nor the Trustee shall have any interest, and may be modified or removed by the District at any time provided that the District shall repair and restore any and all damage to the Project resulting from the installation, modification or removal of any such items. Nothing in this Installment Sale Agreement shall prevent the District from purchasing items to be installed pursuant to this Section 5.07 under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof.

Section 5.08. Operation of the Water System. The District covenants to operate, or cause to be operated, the Water System in accordance with customary standards and practices applicable to similar facilities.

Section 5.09. Private Activity Bond Limitation. The District shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Installment Sale Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(b) of the Code.

Section 5.10. Private Loan Financing Limitation. The District shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Installment Sale Agreement to satisfy the private loan financing test of section 141(c) of the Code.

Section 5.11. Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Installment Sale Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.12. Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

## ARTICLE VI

### APPLICATION OF NET PROCEEDS

#### Section 6.01. Application of Net Proceeds.

(a) *From Insurance Award.* The Net Proceeds of any insurance award resulting from any damage to or destruction of the Project by fire or other casualty shall be deposited in the Insurance and Condemnation Fund by the Trustee promptly upon receipt thereof and, if the District Representative notifies the Trustee in writing of the District's determination that the replacement, repair, restoration, modification or improvement of the Project is not economically feasible or in the best interest of the District, then such Net Proceeds shall be promptly transferred by the Trustee to the Installment Payment Fund to be applied as provided in Section 10.03 hereof. All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Project by the District, upon receipt of a requisition, signed by the District Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Each such requisition of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the Net Proceeds remaining after such work has been completed shall be transferred to the Installment Payment Fund. The District covenants that it will commence such replacement, repair, restoration, modification or improvement or indicate that such replacement, repair, restoration, modification or improvement is not economically feasible within 180 days of receipt of such Net Proceeds.

(b) *From Eminent Domain Award.* The Net Proceeds of any eminent domain award shall be deposited in the Insurance and Condemnation Fund to be held and applied by the Trustee pursuant to Section 7.02 of the Trust Agreement.

## ARTICLE VII

### DISCLAIMER OF WARRANTIES; ACCESS

Section 7.01. Disclaimer of Warranties. THE CORPORATION MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT FOR THE PROJECT OR ANY ITEM THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROJECT OR ANY ITEM THEREOF. IN NO EVENT SHALL THE CORPORATION AND IT'S ASSIGNS BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES, IN CONNECTION WITH OR ARISING OUT OF THIS INSTALLMENT SALE AGREEMENT OR THE TRUST AGREEMENT FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR DISTRICT'S USE OF THE PROJECT.

Section 7.02. Access to the Project and Records. To the extent permitted by law, the District agrees that the Corporation, any Corporation Representative and the Corporation's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Project. The District further agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns, shall have such rights of access to the Project as may be reasonably necessary to cause the proper maintenance of the Project in the event of failure by the District to perform its obligations hereunder. In addition, the District agrees that the Corporation, any Corporation Representative and the Corporation's successors or assigns, shall have the right at all reasonable times to inspect and examine all books, papers and records of the Corporation and the District pertaining to the Project and the Certificates, to make copies thereof and to take non-privileged memoranda therefrom or with respect thereto as may be desired.

Section 7.03. Release and Indemnification Covenants. The District shall and hereby agrees to indemnify and save the Corporation and its successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Project by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Sale Agreement, (c) any act or negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project, or (d) any act or negligence of any assignee or sublessee of the District with respect to the Project. No indemnification is made under this Section 7.03, in Section 9.04 or elsewhere in this Installment Sale Agreement for willful misconduct, negligence, or breach of duty under this Installment Sale Agreement by the Corporation, its officers, agents, employees, successors or assigns.

## ARTICLE VIII

### ASSIGNMENT, SALE AND AMENDMENT

Section 8.01. Assignment by the Corporation. The Corporation's right, title and interest in this Installment Sale Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the District under this Installment Sale Agreement, have been assigned to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the District hereby consents.

Section 8.02. Assignment, Sale and Disposition by the District. This Installment Sale Agreement may not be assigned by the District, and the Water System may not be sold by the District during the Term of this Installment Sale Agreement.

The District may lease the Project, or any portion thereof, subject to all of the following conditions:

(a) This Installment Sale Agreement and the obligation of the District to make Installment Payments hereunder shall remain obligations of the District;

(b) The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of the documents accomplishing such lease;

(c) No such lease by the District shall cause the Project to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State; and

(d) No such lease shall cause the interest component of the Installment Payments to become subject to federal or State personal income taxes.

Section 8.03. Amendment of Installment Sale Agreement. The Corporation and the District may at any time amend or modify any of the provisions of this Installment Sale Agreement, but only (i) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates, or (ii) without the consent of any of the Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in this Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Corporation and the District may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the



exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

## ARTICLE IX

### EVENTS OF DEFAULT AND REMEDIES

Section 9.01. Events of Default Defined. The following shall be “events of default” under this Installment Sale Agreement and the terms “events of default” and “default” shall mean, whenever they are used in this Installment Sale Agreement, any one or more of the following events:

(a) Failure by the District to pay any Installment Payment by the Installment Payment Date or failure to make any other payment required to be paid hereunder at the time specified herein; or

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Installment Sale Agreement or the Trust Agreement, other than as referred to in clause (a) of this Section 9.01, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Certificates then Outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected or

(c) The filing by the District of 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 the approval by a court of competent jurisdiction of 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, 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) An event of default shall have occurred and be continuing with respect to any Parity Debt.

Section 9.02. Remedies on Default. Whenever any event of default referred to in Section 9.01 hereof shall have happened and be continuing, the Corporation shall have the right, at its option and without any further demand or notice, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest at the rate or rates specified in the respective Outstanding Certificates from the immediately preceding Installment Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall become due and payable; and

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Installment Sale Agreement.

Section 9.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law.

Section 9.04. Prosecution and Defense of Suits. The District shall promptly, upon request of the Corporation or its assignee, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and, to the extent permitted by law, shall indemnify or cause to be indemnified the Corporation and its assignee for all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceedings.

To the extent permitted by law, the District shall defend, or cause to be defended, against every suit, action or proceeding at any time brought against the Corporation or its assignee upon any claim arising out of the receipt, application or disbursement of any of the Net Revenues or involving the rights or duties of the Corporation or its assignee under this Installment Sale Agreement or the Trust Agreement; provided, that the Corporation and its assignee at their election may appear in and defend any such suit, action or proceeding. The District shall indemnify or cause to be indemnified the Corporation and its assignee against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all Installment Payments have been fully paid and satisfied, until a date which is three (3) years following the payment of the last of said Installment Payments.

Section 9.05. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Installment Sale Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.06. Application of the Proceeds. The Trustee, as assignee of the Corporation, shall apply all amounts received under this Article IX as set forth in Section 12.03 of the Trust Agreement.

Section 9.07. Liability Limited to Net Revenues. Notwithstanding any provision of this Installment Sale Agreement, the District's liability to pay the Installment Payments and other amounts hereunder shall be limited solely to Net Revenues as provided in Sections 4.05 and 4.06 hereof. In the event that Net Revenues shall be insufficient at any time to pay an Installment Payment in full, the District shall not be liable to pay or prepay such Installment Payment other than from Net Revenues.

Section 9.08. Trustee and Certificate Owners to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article IX have been assigned by the Corporation to the Trustee under the Assignment Agreement, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement and herein.

Section 9.09. Pro Rata Application of Net Revenues. If, at any time, there is a deficiency in Net Revenues available to pay the Installment Payments, any amounts due with respect to Parity Debt, available Net Revenues shall be applied on a *pro rata* basis to the payment of such Installment Payments and to the payment of amounts due with respect to such Parity Debt.

## ARTICLE X

### PREPAYMENT OF INSTALLMENT PAYMENTS

Section 10.01. Prepayment. The District shall have the right to prepay the Installment Payments, but only in the manner, at the times and in all respects in accordance with the provisions of this Article X.

Section 10.02. Optional Prepayment. Subject to the terms and conditions of this Section 10.02, the Corporation hereby grants an option to the District to prepay the Installment Payments in full, by paying the total unpaid principal component of the Installment Payments as set forth in Exhibit C or in part, but not in an amount of less than \$5,000 or any integral multiple thereof, at any one time. Said option may be exercised with respect to Installment Payments due on and after November 15, \_\_\_\_, in whole or in part on any date on or after November 15, \_\_\_\_, without a prepayment premium. Said option shall be exercised by the District by giving written notice to the Corporation and the Trustee of the exercise of such option at least sixty (60) days prior to said Installment Payment Date. Such option shall be exercised in the event of prepayment in full, by depositing by the applicable date of prepayment listed below cash in the amount sufficient to pay the total unpaid principal component of the Installment Payments as set forth in Exhibit C on said Installment Payment Date, together with any Installment Payments then due but unpaid, or, in the event of prepayment in part, by depositing by the applicable date of prepayment listed below, an amount divisible by \$5,000 equal to the amount desired to be prepaid together with any Installment Payments then due but unpaid.

Section 10.03. Mandatory Prepayment From Net Proceeds of Insurance or Condemnation. The District shall be obligated to prepay the Installment Payments in whole or in part on any Installment Payment Date, from and to the extent of any Net Proceeds of any insurance or condemnation award theretofore deposited in the Installment Payment Fund for such purpose pursuant to Section 6.01 hereof or pursuant to Section 7.02 of the Trust Agreement. The District and the Corporation hereby agree that such Net Proceeds shall be credited towards the District's obligations under this Section 10.03. Except in the case of such prepayment of the Installment Payments in full, such payment shall be in addition to the Installment Payment required to be paid by the District on such date.

Section 10.04. Credit for Amounts on Deposit. In the event the District elects or is required to prepay the Installment Payments in full under this Article X, such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Installment Payment Fund shall be credited towards the amounts required to be so prepaid.

Section 10.05. Security Deposit. Notwithstanding any other provision of this Installment Sale Agreement, the District may, on any date, secure the payment of all or a portion of the Installment Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement as referenced in Section 15.01 of the Trust Agreement, of: (a) in the case of a security deposit relating to all Installment Payments, either (i) cash in an amount which, together with amounts on deposit in the Installment Payment Fund, is sufficient to pay all unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit C, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, together with

interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Installment Payment Fund, be fully sufficient to pay all unpaid Installment Payments on their respective Installment Payment Dates; or (b) in the case of a security deposit relating to a portion of the Installment Payments, a certificate executed by a District Representative designating the portion of the Installment Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Installment Payments designated in such District Representative's certificate, including the principal and interest components thereof, or (ii) defeasance obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, be fully sufficient to pay the portion of the Installment Payments designated in the aforesaid District Representative's certificate.

In the event of a deposit pursuant to this Section 10.05 as to all Installment Payments and the payment of all fees, expenses and indemnifications owed to the Trustee, all obligations of the District under this Installment Sale Agreement shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all payments from the deposit made by the District pursuant to this Section 10.1 and the obligations of the District pursuant to Section 6.02 hereof.

ARTICLE XI  
MISCELLANEOUS

Section 11.01. Notices. All written notices to be given under this Installment Sale Agreement shall be given by facsimile or by mail first class, postage prepaid, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time. Any such notice shall be deemed to have been received 48 hours after deposit in the United States mail, with postage fully prepaid.

If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, CA 91361 Attention: Secretary/Treasurer Phone: (805) 267-7140
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If to the District:	Mid-Peninsula Water District 3 Dairy Lane Belmont, CA 94002 Attention: _____ Telephone: (650) 591-8941
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If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 100 Pine Street, Suite 3150 San Francisco, CA 94111 Attention: Corporate Trust Department Telephone: (415) 263-2416
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The Corporation, the District and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.02. Binding Effect. This Installment Sale Agreement shall inure to the benefit of and shall be binding upon the Corporation and the District and their respective successors and assigns.

Section 11.03. Severability. In the event any provision of this Installment Sale Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.04. Amendments, Changes and Modifications. Subject to the provisions of Section 8.03 hereof, this Installment Sale Agreement may be amended or any of its terms modified with the written consent of the District and the Corporation.

Section 11.05. Net Contract. This Installment Sale Agreement shall be deemed and construed to be a "net contract" and the District hereby agrees that the Installment Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

Section 11.06. Further Assurances and Corrective Instruments. The Corporation and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the

Project hereby sold or intended so to be or for carrying out the expressed intention of this Installment Sale Agreement.

Section 11.07. Execution in Counterparts. This Installment Sale Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.08. Applicable Law. This Installment Sale Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.09. Corporation and District Representatives. Whenever under the provisions of this Installment Sale Agreement the approval of the Corporation or the District is required, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by an Corporation Representative and for the District by a District Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 11.10. Captions. The captions or headings in this Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article or Section of this Installment Sale Agreement.



IN WITNESS WHEREOF, the Corporation has caused this Installment Sale Agreement to be executed in its corporate name by its duly authorized officers; and the District has caused this Installment Sale Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

PUBLIC PROPERTY FINANCING  
CORPORATION OF CALIFORNIA

By \_\_\_\_\_  
William A. Morton  
Secretary/Treasurer

MID-PENINSULA WATER DISTRICT

By \_\_\_\_\_  
Tammy A. Rudock  
General Manager

**EXHIBIT B**  
**DESCRIPTION OF THE PROJECT**

**EXHIBIT C**

**SCHEDULE OF INSTALLMENT PAYMENTS**

Installment Payment Date	Principal Component	Interest Component	Total Installment Payment
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**TRUST AGREEMENT**

**Dated as of December 1, 2016**

**by and among**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee,**

**the**

**PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**

**and the**

**MID-PENINSULA WATER DISTRICT**

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**(2016 Financing Project)**

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EXHIBIT A - DEFINITIONS

EXHIBIT B - FORM OF CERTIFICATE OF PARTICIPATION

## TRUST AGREEMENT

This TRUST AGREEMENT, dated as of December 1, 2016, by and among THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit, public benefit corporation organized and existing under the laws of the State of California, as seller under the Installment Sale Agreement hereinafter referred to (the "Corporation"), and the MID-PENINSULA WATER DISTRICT, a water district organized and existing under the Constitution and laws of the State of California, as purchaser under said Installment Sale Agreement (the "District");

### W I T N E S S E T H

WHEREAS, the District and the Corporation have entered into an installment sale agreement (the "Installment Sale Agreement"), dated as of the date hereof, whereby the Corporation has agreed to sell certain improvements to the District's municipal water system (the "Project") to the District and the District has agreed to purchase the Project from the Corporation; and

WHEREAS, for the purpose of obtaining the moneys required to be deposited by it with the Trustee for financing the construction of the Project, the Corporation proposes to assign and transfer certain of its rights under the Installment Sale Agreement to the Trustee and, in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation, each evidencing a direct, undivided fractional interest in the Installment Payments and Prepayments (each as hereinafter defined) to be made by the District, to provide the moneys required herein to be deposited by the Corporation;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:



## ARTICLE I

### DEFINITIONS; AUTHORIZATION; EXHIBITS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in Exhibit A attached hereto shall, for all purposes of this Trust Agreement, have the meanings therein specified.

Section 1.02. Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement, and has taken all actions necessary to authorize the execution of this Trust Agreement by the officers and persons signing it.

Section 1.03. Content of Written Certificates. Every certificate provided for in this Trust Agreement with respect to compliance with any provision hereof, except the certificate of destruction pursuant to Section 13.07, shall include (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate is based; (c) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (d) a statement of the assumptions upon which such certificate is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate made or given by a District Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such District Representative 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 accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the District, as the case may be) upon a certificate or opinion of or representation by a District Representative, unless such counsel or 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 District Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.04. Exhibits. The following Exhibits are attached to, and by this reference are made a part of, this Trust Agreement:

- EXHIBIT A: DEFINITIONS
- EXHIBIT B: FORM OF CERTIFICATE OF PARTICIPATION

ARTICLE II

THE CERTIFICATES OF PARTICIPATION

Section 2.01. Authorization. The Trustee is hereby authorized and directed upon written request from the Corporation to execute and deliver, to the Original Purchaser, Certificates in an aggregate principal amount \_\_\_\_\_ dollars (\$\_\_\_\_\_) evidencing undivided fractional interests in the Installment Payments and the Prepayments.

Section 2.02. Date. Each Certificate shall be dated as of the Closing Date.

Section 2.03. Maturity; Interest Rates. The Certificates shall mature on December 1 in the years and in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> <u>Per Annum</u>	<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> <u>Per Annum</u>
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Section 2.04. Interest. Interest with respect to the Certificates shall be payable semiannually on each Interest Payment Date, commencing June 1, 2017, to and including the date of final principal payment (or provision therefor pursuant to Section 12.01 hereof) or redemption, whichever is earlier, computed on the basis of a 360-day year comprised of twelve 30-day months. Said interest shall represent the portion of Installment Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Certificates. The portion of Installment Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Installment Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate.

Interest with respect to any Certificate shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless (i) such Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) such Certificate is executed after the close of business on the fifteenth (15th) day of the month immediately preceding the following Interest Payment Date and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) such Certificate is executed on or before May 15, 2017, in which event interest shall be payable from the Closing Date; *provided, however*, that if at the time of execution of any Certificate, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payment of interest with respect to any Certificate shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the fifteenth (15th) day of the month preceding such Interest Payment Date, such interest to be paid by check or draft mailed by first class mail to such Owner at his address as it appears on such registration books.

Section 2.05. Form of Certificates; Legends. The Certificates shall be delivered in the form of fully registered Certificates, without coupons, in the denomination of \$5,000 each or any integral multiple thereof, except that no Certificate may have principal maturing in more than one year. The Certificates shall be numbered in such manner as the Trustee deems appropriate. The Certificates shall be substantially in the form set forth in Exhibit B attached hereto and by this reference incorporated herein. The Certificates may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Trust Agreement as may be necessary or desirable to comply with custom, or otherwise.

Section 2.06. Execution. The Certificates shall be executed by and in the name of the Trustee, at the written direction of the Corporation, by the manual signature of an authorized signatory of the Trustee.

Section 2.07. Application of Proceeds. The net proceeds received by the Trustee from the sale of the Certificates in the aggregate amount of \$\_\_\_\_\_, being the face amount of the Certificates (\$\_\_\_\_\_), less an underwriter's discount of \$\_\_\_\_\_, plus a net original premium of \$\_\_\_\_\_, shall forthwith be deposited or transferred by the Trustee as follows:

- (a) The Trustee shall deposit in the Delivery Costs Fund an amount equal to \$\_\_\_\_\_; and
- (b) The Trustee deposit in the Project Fund an amount equal to \$\_\_\_\_\_.

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

Section 2.08. Transfer and Exchange.

(a) *Transfer of Certificates.* Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.12 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate shall be surrendered for transfer, the Trustee shall deliver a new Certificate or Certificates of the same maturity, interest rate and aggregate principal amount to the transferee thereof. The Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer of Certificates shall be required to be made during the fifteen (15) days prior to the date of selection of Certificates for redemption, or of any Certificate selected for redemption.

(b) *Exchange of Certificates.* Certificates may be exchanged at the Principal Corporate Trust Office, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchange of Certificates shall be required to be made during the fifteen (15) days prior to the date of selection of Certificates for redemption, or of any Certificate selected for redemption.

Section 2.09. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like maturity and principal amount in exchange and substitution for

the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed in accordance with Section 13.07 hereof, and the Trustee shall deliver a certificate of destruction to the District. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity and numbered as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section 2.09 and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.09. Any Certificate delivered under the provisions of this Section 2.09 in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any substitute Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder; the Trustee shall consider only the substitute Certificate as Outstanding for such purpose. Notwithstanding any other provision of this Section 2.09, in lieu of delivering a new Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trustee.

Section 2.10. Payment. Except as otherwise provided herein, payment of interest due with respect to any Certificate on any Interest Payment Date shall be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check or draft mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check or draft denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

Section 2.11. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the holding and ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a

partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of the authority of such officer or member.

(b) The fact of the holding of Certificates by any Owner and the amount, the maturity and the numbers of such Certificates and the date of his holding the same may be proved by reference to the Certificate Register maintained by the Trustee provided for in Section 2.12 hereof. The Trustee may conclusively assume that such ownership continues until transfer as provided in Section 2.08(a) hereof.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.12. Certificate Register. The Trustee will keep or cause to be kept, at the Principal Corporate Trust Office, sufficient books for the registration and transfer of the Certificates which shall be open at all reasonable times with reasonable prior notice during normal business hours of the Trustee to inspection by the District and the Corporation; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Certificates as hereinbefore provided.

Section 2.13. CUSIP Numbers. The Trustee, the District and the Corporation shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any Certificate 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 Certificates have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee, the District nor the Corporation shall be liable for any inaccuracies in such numbers.

Section 2.14. Use of Depository. Notwithstanding any provision of this Trust Agreement to the contrary:

(a) At the request of the Original Purchaser, the Certificates shall be initially executed and delivered registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, the depository designated by the Original Purchaser, and shall be evidenced by one Certificate maturing on each of the maturity dates set forth in Section 2.03 hereof to be in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Certificates, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of The Depository Trust Company or its nominee, or of any substitute depository designated pursuant to paragraph (ii) of this subsection (a) ("substitute depository"); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated in a written request of the District, upon (i) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (ii) a determination by the District that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that any such substitute

depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the District that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that no substitute depository which is not objected to by the District and the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.14, upon receipt of all Outstanding Certificates by the Trustee, together with a written request of a District Representative to the Trustee, a single new Certificate shall be executed and delivered for each maturity of such Certificate 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 a District Representative. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.14, upon receipt of all Outstanding Certificates by the Trustee together with a written request of a District Representative, new Certificates shall be executed and delivered in such denominations and registered in the names of such persons as are requested in a written request of the District provided the Trustee shall not be required to deliver such new Certificates within a period less than sixty (60) days from the date of receipt of such a written request of a District Representative.

(c) In the case of partial redemption or an advance refunding of any Certificates evidencing all of the principal maturing in a particular year, The Depository Trust Company shall, at the District's expense, deliver the Certificates to the Trustee for cancellation and re-registration to reflect the amounts of such reduction in principal.

(d) The District and the Trustee shall be entitled to treat the person in whose name any Certificate is registered as the absolute Owner thereof for all purposes of this Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District and the District and the Trustee shall have no responsibility for the accuracy of any records maintained by DTC or any participant in DTC or transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the Certificates. Neither the District nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the registered owner of any Certificate.

(e) So long as all outstanding Certificates are registered in the name of Cede & Co. or its registered assign, the District and the Trustee shall reasonably cooperate with Cede & Co., as sole registered Owner, or its registered assign in effecting payment of the principal and redemption premium, if any, and interest due with respect to the Certificates by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(f) So long as all Outstanding Certificates are registered in the name of Cede & Co. or its registered assigns (hereinafter, for purposes of this paragraph (f), the "Owner"):

(i) All notices and payments addressed to the Owners shall contain the Certificates' CUSIP number.

(ii) Notices to the Owner shall be forwarded in the manner set forth in the form of Blanket Issuer Letter of Representations executed by the District and received and accepted by The Depository Trust Company.

## ARTICLE III

### PROJECT FUND; DELIVERY COSTS FUND

Section 3.01. Project Fund. The Trustee shall establish a special fund designated as the "Project Fund;" shall keep such fund separate and apart from all other funds and moneys held by the Trustee; and shall administer such fund as provided herein. There shall be deposited in the Project Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to Section 2.07(b) hereof and any other funds from time to time deposited with the Trustee for such purpose.

#### Section 3.02. Payment of Project Costs.

(a) Amounts in the Project Fund shall be disbursed for Project Costs. Disbursements from the Project Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition requesting disbursement executed by a District Representative. Each such requisition shall:

(i) set forth the account within the Project Fund from which such disbursement is to be made;

(ii) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Project Costs and the person or persons to whom said amounts are to be disbursed;

(iii) state that the amounts to be disbursed constitute Project Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the Corporation or the District, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;

(iv) state that no amount set forth in the requisition was included in any requisition requesting disbursement previously filed with the Trustee pursuant to this Section 3.02;

(v) state that there has been compliance with Section 5.09 of the Installment Sale Agreement relating to the private business use limitation and the private loan limitation;

(vi) state that the amount remaining in the Project Fund, together with interest earnings thereon or deposited therein, will, after payment of the amount set forth in the requisition requesting disbursement, be sufficient to pay all remaining Project Costs as then estimated;

(vii) if such requisition relates to disbursement for a construction portion of the Project, state that (A) insofar as such requisition relates to payment for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the construction of the Project or delivered to the appropriate site for such purpose, or delivered for storage or fabrication at a place approved by the District, and (B) that an identified percentage of the Project has been completed; and



(viii) if such requisition relates to payment to a contractor, state that no liens have been imposed on the Project as a result of said construction except liens that have not yet ripened or that would attach by operation of law.

The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 7.02 hereof) of the moneys held in the Project Fund and the payment thereof in accordance with this Section 3.02, but the Trustee shall not be responsible for such requisitions.

Section 3.03. Delivery Costs Fund. The Trustee shall establish a special fund designated as the "Delivery Costs Fund;" shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as provided herein. There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to Section 2.07(a) hereof and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

Section 3.04. Payment of Delivery Costs.

(a) The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs.

(b) The Trustee shall disburse moneys in the Delivery Costs Fund only upon a receipt of a sequentially numbered requisition, with bills, invoices or statements attached, signed by a District Representative setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the name and address of the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Delivery Costs Fund.

(c) The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 7.02 hereof) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with this Section 3.04, but the Trustee shall not be responsible for such requisitions.

(d) Upon written notice from a District Representative that all Delivery Costs have been paid, but in no event later than February \_\_, 2017, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Project Fund, the Delivery Costs Fund shall be closed and the Trustee shall no longer be obligated to make payments for Delivery Costs.

Section 3.05. Transfers of Unexpended Proceeds. The Trustee is hereby directed that all unexpended moneys remaining in the Project Fund and not identified in writing by a District Representative to be required for payment of Project Costs or other capital improvements to the Water System shall, on the date of notification by the District to the Trustee of completion of the Project, be transferred to the Installment Payment Fund and applied to pay the Installment Payments as the same become due and payable.

ARTICLE IV

REDEMPTION OF CERTIFICATES

Section 4.01. Redemption.

(a) *Generally.* The Certificates shall not be subject to redemption prior to maturity, except in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

(b) *Redemption From Net Proceeds of Insurance and Condemnation.* The Certificates are subject to redemption in whole on any date and in part on any Interest Payment Date from the Net Proceeds of any insurance or condemnation award deposited in the Installment Payment Fund and credited towards the Prepayment made by the District pursuant to Section 9.03 of the Installment Sale Agreement, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

(c) *Optional Redemption.* In addition, Certificates maturing on or after December 1, \_\_\_\_, are subject to redemption in whole or in part on any date on or after December 1, \_\_\_\_, at the principal amount with respect thereto, together with accrued interest to the date fixed for redemption from the proceeds of optional Prepayments made by the District pursuant to the Installment Sale Agreement, without premium.

(d) *Mandatory Redemption.*

(i) The Certificates maturing on December 1, \_\_\_\_, are subject to mandatory redemption in part on December 1, \_\_\_\_, and on each December 1 thereafter, to and including December 1, \_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to Section 4.04 of the Installment Sale Agreement with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year</u> <u>(December 1)</u>	<u>Principal Amount of</u> <u>Certificates to be Redeemed</u>
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†Maturity.

In the event that the Trustee shall redeem Certificates maturing on December 1, \_\_\_\_, in part but not in whole pursuant to subsections (b) or (c) of this Section 4.01, the amount of the Certificates to be redeemed in each subsequent year pursuant to this subsection (d)(i) shall be reduced to correspond to the principal components of the Installment Payments prevailing following such redemption as determined pursuant to Section 4.04(b) of the Installment Sale Agreement.

(ii) The Certificates maturing on December 1, \_\_\_\_, are subject to mandatory redemption in part on December 1, \_\_\_\_, and on each December 1 thereafter, to and including December 1, \_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to Section 4.04 of the Installment Sale Agreement with respect to each such redemption date, at a redemption price equal

to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (December 1)	Principal Amount of Certificates to be Redeemed
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†Maturity.

In the event that the Trustee shall redeem Certificates maturing on December 1, \_\_\_\_\_, in part but not in whole pursuant to subsections (b) or (c) of this Section 4.01, the amount of the Certificates to be redeemed in each subsequent year pursuant to this subsection (d)(ii) shall be reduced to correspond to the principal components of the Installment Payments prevailing following such redemption as determined pursuant to Section 4.04(b) of the Installment Sale Agreement.

Section 4.02. Selection of Certificates for Redemption. Whenever provision is made in this Trust Agreement for the redemption of Certificates and less than all Outstanding Certificates are called for redemption, the Trustee shall select Certificates for redemption in any order of maturity selected by the District (and if not selected by the District, pro rata among maturities) and by lot within a maturity. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates so selected for redemption.

Section 4.03. Notice of Redemption. Notice of any such redemption shall be given by the Trustee on behalf and at the expense of the District by mailing a copy of a redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Certificate Register maintained by the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Certificates.

All notices of redemption shall be dated and shall state: (i) the redemption date, (ii) the redemption price, (iii) if less than all Outstanding Certificates are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Certificates to be redeemed, (iv) that on the redemption date the redemption price will become due and payable with respect to each such Certificate or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, (v) the place where such Certificates are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Corporate Trust Office.

Notwithstanding the foregoing, in the case of any optional redemption of the Certificates, the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Certificates on the anticipated redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Certificates have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Certificates to be optionally redeemed, such event shall not constitute an Event of Default; the Trustee shall send written notice to the Owners and to an Information Services to the effect that the redemption did not occur as anticipated, and the Certificates for which notice of optional redemption was given shall remain Outstanding for all purposes of this Trust Agreement.

Notice of redemption having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price) interest with respect to such Certificates or portions of Certificates shall cease to be payable. Upon surrender of such Certificates for redemption in accordance with said notice, such Certificates shall be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Certificate, there shall be executed and delivered for the Owner a new Certificate or Certificates of the same maturity in the amount of the unredeemed principal. All Certificates which have been redeemed shall be canceled by the Trustee, shall not be reissued and shall be destroyed pursuant to Section 13.07.

In addition to the foregoing notice, notice shall be given by the Trustee by telecopy, registered, certified or overnight mail, to an Information Service on the date such notice is mailed to the Owners, which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

The Trustee shall have no responsibility for a defect in the CUSIP number that appears on any Certificate or in the redemption notice. The redemption notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Certificate Owners and that the Trustee and the District shall not be liable in any way for inaccuracies in said numbers.

Section 4.04. Partial Redemption of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Section 4.05. Effect of Notice of Redemption. Notice having been given as aforesaid, and the moneys for the redemption, including interest to the applicable Interest Payment Date and premium, if any, having been set aside in the Installment Payment Fund, the Certificates to be redeemed shall become due and payable on said Interest Payment Date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount with respect thereto, plus redemption premium, if any, and any unpaid and accrued interest to said Interest Payment Date.

If, on said Interest Payment Date, moneys for the redemption of all the Certificates to be redeemed, together with interest to said Interest Payment Date, shall be held by the Trustee so as to be available therefor on such Interest Payment Date, and, if notice of redemption thereof shall have been given as aforesaid, then, from and after said Interest Payment Date, interest with respect to the Certificates to be redeemed shall cease to accrue and become payable. If said moneys shall not be so available on said Interest Payment Date, interest with respect to such Certificates shall continue to be payable at the same rates as it would have been payable had the Certificates not been called for redemption. All moneys held by or on behalf of the Trustee for the redemption of particular Certificates shall be held in trust for the account of the Owners of the Certificates so to be redeemed. The Trustee shall not be liable for any interest earned on the amounts so held.

Section 4.06. Purchase of Certificates. In lieu of redemption of Certificates as provided in this Article IV, amounts held by the Trustee for such redemption may also be used on any Interest Payment Date, upon receipt by the Trustee at least ninety (90) days prior to the next

scheduled Interest Payment Date of the written request of a District Representative, for the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct. Such purchases may be effected through the investment department of the Trustee or of an affiliate of the Trustee. The aggregate principal amount of Certificates of the same maturity purchased in lieu of redemption pursuant to this Section 4.05 shall not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such redemption. Remaining moneys, if any, shall be deposited in the Installment Payment Fund.

## ARTICLE V

### INSTALLMENT PAYMENTS; INSTALLMENT PAYMENT FUND

Section 5.01. Assignment of Rights in Installment Sale Agreement. The Corporation has, pursuant to the Assignment Agreement, transferred, assigned and set over to the Trustee all of its rights, title and interest in the Installment Sale Agreement (excepting only its rights under Sections 5.06, 7.03 and 9.04 thereof and its rights to give approvals and consents thereunder), including but not limited to all of the Corporation's rights to receive and collect all of the Installment Payments, the Prepayments and all other amounts required to be deposited in the Installment Payment Fund pursuant to the Installment Sale Agreement or pursuant hereto. All Installment Payments, Prepayments and such other amounts which the Corporation may at any time be entitled to shall be paid directly to the Trustee and all Installment Payments collected or received by the Corporation shall be deemed to be held or to have been collected or received by the Corporation as agent of the Trustee.

Section 5.02. Establishment of Installment Payment Fund. The Trustee shall establish a special fund designated as the "Installment Payment Fund". All moneys at any time deposited by the Trustee in the Installment Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation shall have any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

Section 5.03. Deposits. There shall be deposited in the Installment Payment Fund all Installment Payments and Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to Sections 4.06, 5.05, 6.01 or Article X of the Installment Sale Agreement, and any other moneys required to be deposited therein pursuant to the Installment Sale Agreement or pursuant to this Trust Agreement.

Section 5.04. Application of Moneys. All amounts in the Installment Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying principal, interest and redemption premiums (if any) with respect to the Certificates as the same shall become due and payable, in accordance with the provisions of Article II hereof.

Section 5.05. Surplus. Any surplus remaining in the Installment Payment Fund after redemption and/or payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the District.

ARTICLE VI

INSURANCE AND CONDEMNATION FUND;  
INSURANCE; EMINENT DOMAIN

Section 6.01. Establishment of Insurance and Condemnation Fund. Application of Net Proceeds of Insurance Award;. Any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the Project collected by the District in the event of any such accident or destruction shall be transferred by the District to the Trustee pursuant to Section 6.01 of the Installment Sale Agreement and the Trustee shall deposit such moneys in a special fund designated as the "Insurance and Condemnation Fund" to be applied and disbursed by the Trustee as provided in Section 6.01(a) of the Installment Sale Agreement.

Section 6.02. Application of Net Proceeds of Eminent Domain Award. If all or any part of the Project shall be taken by eminent domain (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be transferred by the District to the Trustee for deposit in the Insurance and Condemnation Fund pursuant to Section 6.01(b) of the Installment Sale Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the District determines that such eminent domain proceedings have not materially affected the operation of the Project, or the ability of the District to meet any of its obligations under the Installment Sale Agreement, and if the District determines that such proceeds are: (i) not needed for repair, replacement or rehabilitation of the Project, upon receipt of a written certificate from the District the Trustee shall transfer such proceeds to the Installment Payment Fund to be credited towards the Prepayments required to be paid pursuant to Section 9.03 of the Installment Sale Agreement and applied to the redemption of Certificates in the manner provided in Article IV hereof, or (ii) needed for repair or rehabilitation of the Project, upon receipt of a written certificate from the District the Trustee shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for such repair or rehabilitation, upon the filing with the requisitions of the District Representative.

(b) If (i) less than all of the Project shall have been taken in such eminent domain proceedings, and if the District determines that such eminent domain proceedings have materially affected the operation of the Project or the ability of the District to meet any of its obligations under the Installment Sale Agreement or (ii) all of the Project shall have been taken in such eminent domain proceedings, then upon receipt of written instruction from the District the Trustee shall transfer such proceeds to the Installment Payment Fund to be credited toward the Prepayment required to be paid pursuant to Section 9.03 of the Installment Sale Agreement and applied to the redemption of Certificates in the manner provided in Article IV hereof.

Section 6.03. Excess Net Proceeds. After all of the Certificates have been retired and the entire amount of principal, interest and any redemption premiums with respect to the Certificates and any remaining fees and expenses of the Trustee have been paid in full, the Trustee shall transfer any remaining funds to the District.

Section 6.04. Cooperation. The Corporation shall cooperate with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Installment Sale Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any part thereof.

## ARTICLE VIII

### MONEYS IN FUNDS; INVESTMENT

Section 7.01. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of either the Corporation, the Trustee (except as provided in Section 8.03 below) or the District or any Owner of Certificates, or any of them until after the Certificates have been paid in full.

Section 7.02. Investments Authorized. Moneys held by the Trustee hereunder shall, upon written order of a District Representative, be invested and reinvested by the Trustee in Permitted Investments. The Trustee may deem all investments directed by a District Representative as Permitted Investments without independent investigation thereof. If a District Representative shall fail to so direct investments, the Trustee shall hold such moneys uninvested. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 7.02. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment and make or dispose of any investment through its investment department or that of an affiliate and shall be entitled to its customary fees therefor. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section 7.02, to deal with itself (in its individual capacity) or with one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account. The Trustee may rely on the investment directions of the District Representative as to both the suitability and legality of the directed investments.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Section 7.03. Accounting. The Trustee shall furnish to the District a monthly accounting in statement form of all investments, transactions and disbursements made by the Trustee. The Trustee may commingle, at its sole discretion, any of the funds held by it pursuant to this Trust Agreement into a separate fund or funds for investment purposes only; *provided, however*, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 7.04. Allocation of Earnings. All interest or income received by the Trustee on investment of the Installment Payment Fund shall, prior to completion of the Project, be transferred to the Project Fund and thereafter shall be retained in the Installment Payment Fund and be applied as a credit against Installment Payments. All interest or income received by the Trustee on investment of the Installment Payment Fund shall as received, be retained in the Installment Payment Fund. Amounts retained or deposited in the Installment Payment Fund pursuant to this Section 7.04 shall be applied as a credit against the Installment Payment due by the District pursuant to the Installment Sale Agreement on the Installment Payment Date



following the date of deposit. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed pursuant to Section 3.04 hereof.

Section 7.05. Acquisition, Disposition and Valuation of Investments.

(a) Except as otherwise provided in subsection (b) of this Section 7.05, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Trust Agreement or the Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code; provided that the District shall inform the Trustee which funds are subject to a yield restriction.

(c) For the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least semiannually at the market value thereof. In determining the market value of investments hereunder, 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. The Trustee may sell or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any Permitted Investments.

## ARTICLE VIII

### THE TRUSTEE

Section 8.01. Appointment of Trustee. The Trustee is hereby appointed trustee, registrar and paying agent by the Corporation and the District for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Trust Agreement. The Corporation and the District agree that they will maintain a Trustee which shall be a corporation or association organized and doing business under the laws of any state of the United States of America or the District of Columbia or under federal law of the United States, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any Certificates are Outstanding. If such corporation or association publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 8.01, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 8.01, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.07.

The Trustee is hereby authorized to pay the Certificates when duly presented for payment at maturity, or on redemption and to cancel all Certificates upon payment thereof. The Trustee shall keep records in accordance with corporate trust industry standards of all funds administered by it and of all Certificates paid and discharged. The Trustee shall be compensated for its services rendered pursuant to the provisions of this Trust Agreement.

Section 8.02. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Trust Agreement and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trustee. In case an Event of Default has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this Trust Agreement and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

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

(c) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys, receivers or agents and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder and shall be absolutely protected in relying thereon. The Trustee shall not be responsible for the misconduct of such persons selected by it with reasonable care.

(d) The Trustee shall not be responsible for any recital herein, in the Assignment Agreement or in the Certificates, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Certificates delivered hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Corporation or the District under the Installment Sale Agreement.

(e) The Trustee shall not be accountable for the use of any Certificates delivered hereunder or the proceeds thereof. The Trustee, in its individual or any other capacity, may become the Owner or pledgee of Certificates secured hereby with the same rights which it would have if it were not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a 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 Owners of Certificates, whether or not such committee shall represent the Owners of the majority in principal amount of the Certificates then Outstanding.

(f) In the absence of bad faith on its part, the Trustee shall be protected in acting or refraining from acting upon any notice, request, consent, requisition, certificate, order, affidavit, facsimile, letter, telegram or other paper or document believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith pursuant to this Trust Agreement upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates executed and delivered in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such person is the registered owner as shown on the Registration Books.

(g) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by a Corporation Representative or a District Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been given notice or is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient. The Trustee may accept a certificate of a Corporation Representative or a District Representative to the effect that an authorization in the form therein set forth has been adopted by the Corporation or the District, as the case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

(h) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees, affiliates and agents.

(i) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the District to make any of the Installment Payments to the Trustee required to be made by the District pursuant to the Installment Sale Agreement or failure by the Corporation or the District to file with the Trustee any document required by this Trust Agreement or a Installment Sale Agreement to be so filed by a certain date subsequent to the delivery of the Certificates, unless the Trustee shall be specifically notified in writing of such default by the Corporation, the District or by the Owners of at least five percent (5%) in aggregate principal amount of Certificates then Outstanding and all notices

or other instruments required by this Trust Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Trust Agreement with respect to the execution of any Certificates, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Trust Agreement, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, deemed desirable by the Trustee for the purpose of establishing the right of the District to the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of moneys made by it in accordance with Article VII of this Trust Agreement.

(m) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Outstanding Certificates relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement.

(n) Before taking any action under Article IX hereof or this Section 8.02 at the request or direction of the Certificate Owners, the Trustee may require payment or reimbursement of its reasonable fees and expenses, including reasonable fees and expenses of counsel and receipt of an indemnity bond satisfactory to it from the Certificate Owners to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

(o) Under no circumstances shall the Trustee be liable for the obligations evidenced by the Certificates.

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

(q) The Trustee has no obligation or duty to insure compliance by the District with the Code.

(r) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal or environmental requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness

for the use contemplated by the District or the Corporation of the Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or this Trust Agreement for the existence, furnishing or use of the Property.

(s) The Trustee makes no representations as to the validity or sufficiency of the Certificates and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon it. The Trustee shall not be responsible for the validity or sufficiency of the Installment Sale Agreement or the assignment under the Assignment Agreement. The Trustee shall not be liable for the sufficiency or collection of any Installment Payments or other moneys required to be paid to it under the Installment Sale Agreement (except as provided in this Trust Agreement), its right to receive moneys pursuant to the Installment Sale Agreement, or the value of or title to the premises upon which the Property is located or the Property. The Trustee makes no representations and shall have no responsibility for any official statement or other offering material prepared or distributed with respect to the Certificates.

(t) In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the District or the Corporation having any claim against the Trustee arising from this Trust Agreement shall look only to the funds and accounts held by the Trustee hereunder for payment except as otherwise provided herein.

(u) The Trustee is authorized and directed to execute the Assignment Agreement in its capacity as Trustee hereunder.

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

(w) In acting or omitting to act pursuant to the Installment Sale Agreement or any other document contemplated or executed in connection herewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Agreement and the Installment Sale Agreement, including, but not limited to, this Article IX.

Section 8.03. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and expenses (including the allocated costs of in-house counsel) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Trustee shall have a first and prior lien on

the funds held hereunder to secure the same. The Trustee's rights hereunder, including its rights under Section 11.03 hereof, shall survive its resignation or removal and final payment of the Certificates.

Section 8.04. Notice to Certificate Owners of Default. If an Event of Default occurs of which the Trustee has been given or is deemed to have notice pursuant to Section 8.02, then the Trustee shall, within ninety (90) days of the occurrence thereof, give written notice thereof by first class mail to the Owner of each Certificate, unless such Event of Default shall have been cured before the giving of such notice.

Section 8.05. Intervention by Trustee. In any judicial proceeding to which the Corporation or the District is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of the Certificates, the Trustee may intervene on behalf of the Certificate Owners and shall do so if requested in writing by the Owners of at least twenty-five percent (25%) of the aggregate principal amount of Certificates then Outstanding, provided the Trustee shall have no duty to take such action unless it has received payment or reimbursement and has been indemnified to its satisfaction as provided in Section 8.02(n) hereof against all risk or liability arising from such action.

Section 8.06. Removal of Trustee. Upon thirty (30) days' notice, the District (so long as no Event of Default shall have occurred and be continuing), the Owners of at least a majority of the aggregate principal amount of Certificates then Outstanding may, with the consent of the Corporation, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee and the Corporation, and may appoint a successor or successors thereto; provided that any such successor shall be a Corporation or association meeting the requirements set forth in Section 8.01 hereof.

Section 8.07. Resignation by Trustee. The Trustee and any successor Trustee may, at any time, resign by giving thirty (30) days' written notice by registered or certified mail to the District and the Corporation.

Section 8.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 9.06 or 9.07 hereof, the District shall promptly appoint a successor Trustee. In the event the District shall, for any reason whatsoever, fail to appoint a successor Trustee within thirty (30) days following the delivery to the Trustee of the instrument described in Section 8.06 hereof or within thirty (30) days following the receipt of notice by the District pursuant to Section 8.07 hereof, the Trustee may apply to a court of competent jurisdiction at the expense of the District for the appointment of a successor Trustee meeting the requirements of Section 8.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such thirty (30) day period. The resignation or removal of the Trustee shall not become effective until the appointment and acceptance of the successor Trustee pursuant to Section 9.10 below.

Section 8.09. Merger or Consolidation. Any company or association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under Section 8.01 hereof, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 9.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also the Corporation and the District an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the District, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Upon such acceptance, the District shall mail, or cause the mailing of, notice thereof to the Certificate Owners at their respective addresses set forth on the Certificate Register. Should any instrument in writing from the District be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the District. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article IX, shall be filed or recorded by the successor Trustee in each recording office where the Assignment Agreement shall have been filed or recorded, if applicable.

ARTICLE IX  
MODIFICATION OR AMENDMENT OF  
AGREEMENTS

Section 9.01. Amendments Permitted. This Trust Agreement and the rights and obligations of the Owners of the Certificates, the Installment Sale Agreement and the rights and obligations of the parties thereto, and the Assignment Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 9.03 hereof, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate; or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of a Installment Sale Agreement; or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 9.02 hereof.

This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Corporation or the District; (2) to cure, correct or supplement any ambiguous or defective provision contained herein or therein and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate in the opinion of bond counsel to assure the exclusion from gross income for federal income tax purposes of the interest component of Installment Payments and the interest payable with respect to the Certificates; (5) to add to the rights of the Trustee; or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto, as the case may be.

This Trust Agreement and the Installment Sale Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

The Trustee may request an opinion of Independent Counsel that any amendment entered into hereunder complies with the provisions of this Article IX and the Trustee may rely conclusively on such opinion.

Section 9.02. Procedure for Amendment with Written Consent of Certificate Owners. This Trust Agreement and the Installment Sale Agreement may be amended by supplemental agreement as provided in this Section 9.02 in the event the consent of the Owners of the Certificates is required pursuant to Section 9.01 hereof. A copy of such supplemental agreement (or a summary thereof), together with a request to the Certificate Owners for their consent



thereto, shall be mailed by first class mail, postage prepaid, by the Trustee at the expense of the District, to each Owner of a Certificate at his address as set forth on the Registration Books, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in this Section 9.02 provided.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 9.03 hereof) and a notice shall have been mailed as hereinafter in this Section 9.02 provided. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.11 hereof. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in the following paragraph of this Section 9.02 provided for has been mailed.

After the Owners of the required percentage of Certificates shall have filed their consents to such supplemental agreement, the Trustee shall mail by first class mail, postage prepaid, a notice at the expense of the District, to the Owners of the Certificates in the manner hereinbefore provided in this Section 9.02 for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section 9.02 (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section 9.02 to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Certificates at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

Section 9.03. Disqualified Certificates. Certificates owned or held by or for the account of the District or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement, unless all Certificates Outstanding hereunder are so owned or held; *provided, however,* that the Trustee shall not be liable for determining whether Certificates are owned or held by the District or any such other person unless such Certificates are registered in the name of the District or, to the extent actually identified as directly or indirectly controlled or controlled by, or under direct or indirect common control with the District, such other person on the Registration Books.

Section 9.04. Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article IX, this Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of

the terms and conditions of this Trust Agreement or the Installment Sale Agreement, as the case may be, for any and all purposes.

The District may adopt appropriate regulations to require each Certificate Owner, before his consent provided for in this Article IX shall be deemed effective, to reveal the Certificates as to which such consent is given are disqualified as provided in Section 9.03.

Section 9.05. Endorsement or Replacement of Certificates Delivered After Amendments. The District may determine that Certificates delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of his Certificate for the purpose at the Principal Corporate Trust Office, a suitable notation shall be made on such Certificate. The District may determine that new Certificates, so modified as in the opinion of the District is necessary to conform to such Certificate Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate shall be exchanged in the Principal Corporate Trust Office, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

Section 9.06. Amendatory Endorsement of Certificates. The provisions of this Article IX shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

ARTICLE X  
COVENANTS

Section 10.01. Compliance With and Enforcement of Installment Sale Agreement. The District covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Installment Sale Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Installment Sale Agreement.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of their respective Installment Sale Agreement by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District or the Corporation, will deliver the same, or a copy thereof, to the Trustee.

Section 10.02. Payment of Taxes. The District will, subject to any right of challenge thereof, pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Project or any part thereof, promptly as and when the same shall become due and payable; and the District will keep the Trustee advised in writing of such payments. The District will not suffer the Project, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

Section 10.03. Observance of Laws and Regulations. The District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it with respect to the Water System by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District with respect to the Water System to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 10.04. Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee or any Certificate Owner holding at least 25% in principal amount of the Certificates from time to time, take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project, whether now existing or hereafter developing and shall, to the extent permitted by law, prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Certificate Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 10.05. Further Assurances. The Corporation, the District and the Trustee (at the cost and request of the District or the Corporation) will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

Section 10.06. Filing. The District shall be responsible for the filing of any supplemental instruments or documents of further assurance as may be required by law in order to perfect or renew the security interests created by this Trust Agreement. Neither the Trustee nor the Corporation shall be responsible for such filing.

Section 10.07. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificates. Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall, but only to the extent moneys or other indemnity, satisfactory to the Trustee, has been furnished to the Trustee to hold it harmless from any loss, costs, liability or expense, including fees and expenses of its attorneys and any additional fees of the Trustee or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 10.08. No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Installment Sale Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 10.09. Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Section 11.10. Rebate Requirement. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government. The Trustee shall not be responsible to enforce compliance by the District with such rebate requirements.

## ARTICLE XI

### LIMITATION OF LIABILITY

Section 11.01. Limited Liability of District. Except for the payment of Installment Payments and Prepayments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the District contained in said Agreement, the District shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trustee except as expressly set forth herein.

Section 11.02. No Liability of the Corporation for Trustee Performance. Neither the District nor the Corporation shall have any obligation or liability to the other party or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon the Trustee under this Trust Agreement.

Section 11.03. Indemnification of Trustee. The District shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses (including allocated costs of in-house counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Project by the Corporation or the District, (ii) any breach or default on the part of the Corporation or the District in the performance of any of their respective obligations under the Installment Sale Agreement, this Trust Agreement and any other agreement made and entered into for purposes of the Project, (iii) any act of the Corporation or the District or of any of their respective agents, contractors, servants, employees or licensees with respect to the Project, (iv) any act of any assignee of, or purchaser from the Corporation or the District or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Project, (v) the acquisition, construction, installation and equipping of the Project or the authorization of payment of Delivery Costs, (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Project by the Corporation or the District, (vii) the Trustee's exercise and performance of its powers and duties hereunder or pursuant to the Assignment Agreement and the Installment Sale Agreement, (viii) the offering and sale of the Certificates, or (ix) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. No indemnification will be made under this Section 11.03 or elsewhere in this Trust Agreement for willful misconduct or negligence under this Trust Agreement by the Trustee, its officers or employees. The District's obligations hereunder shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

Section 11.04. Limitation of Rights to Parties and Certificate Owners. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the District, the Corporation, the Trustee and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the District, the Corporation, the Trustee and said Owners.

## ARTICLE XII

### EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 12.01. Assignment of Rights. Pursuant to the Assignment Agreement, the Corporation transfers, assigns and sets over to the Trustee all of the Corporation's rights under the Installment Sale Agreement (excepting only the Corporation's rights under Sections 5.06, 7.03 and 9.04 thereof), including without limitation the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Installment Sale Agreement as may be necessary or convenient (i) to enforce payment of the Installment Payments, Prepayments and any other amounts required to be deposited in the Installment Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

Section 12.02. Remedies. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall upon request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon payment of its reasonable fees and expenses, including reasonable counsel fees, and being indemnified to its satisfaction therefor shall, exercise any and all remedies available pursuant to law or granted pursuant to the Installment Sale Agreement.

Upon the occurrence of an Event of Default, the Trustee may, and shall, at the direction of the Owners of a majority of the principal amount of Certificates then Outstanding, by written notice to the District, declare the principal of the Installment Payments to be immediately due and payable, whereupon that portion of the principal of the Installment Sale Agreement thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Trust Agreement or in the Installment Payments to the contrary notwithstanding.

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

Section 12.03. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XII or of Article VII of the Installment Sale Agreement, shall be applied by the Trustee in the order following upon presentation of the several Certificates and the stamping thereon of the payment if only partially paid or upon the surrender thereof if fully paid -

*First*, to the payment of the costs and expenses of the Trustee hereunder (including, but not limited to, the fees, costs and expenses of itself and its counsel) and, after such payment to the Trustee, of the Certificate Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel (including the allocated costs of in-house counsel), together with interest on all such amounts advanced as provided in Section 8.02; and

*Second*, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the rate or rates specified in the respective Certificates (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following

payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 12.04. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual to enforce any of its rights or duties hereunder.

Section 12.05. Non-waiver. Nothing in this Article XII or in any other provision of this Trust Agreement or in the Certificates, shall affect or impair the obligation of the District to pay or prepay the Installment Payments as provided in the Installment Sale Agreement, or affect or impair the right of action, which is absolute and unconditional, of the Certificate Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XII to the Trustee or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Section 12.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 12.07. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Certificates Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 12.08. Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and

liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Installment Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section 12.08 or any other provision of this Trust Agreement.

Section 12.09. Parties Interested Herein. Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Corporation and the Trustee, their officers, employees and agents, and the Owners any right, remedy or claim under or by reason of this Trust Agreement, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Corporation and the Trustee, their officers, employees and agents, and the Owners.



SECTION 10.0ARTICLE XIII

MISCELLANEOUS

Section 13.01. Defeasance. If all Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal with respect to and interest with respect to all Certificates Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Installment Payment Fund, is fully sufficient to pay all Certificates Outstanding, including all principal and interest;

(c) by irrevocably depositing with the Trustee or an escrow agent (on terms satisfactory to the Trustee), in trust, cash or Defeasance Obligations in such amount as an independent nationally recognized certified public accountant shall determine in a written report delivered to the Trustee or escrow agent will, together with the interest to accrue thereon and moneys then on deposit in the Installment Payment Fund, if required, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Certificates (including all principal and interest) at or before their respective maturity dates; or

(d) by depositing with the Trustee, under an escrow deposit and trust agreement, security for the payment of Installment Payments as more particularly described in Section 9.05 of the Installment Sale Agreement, said security to be held by the Trustee, as agent for the District, and to be applied by the Trustee to Installment Payments representing the obligation of the District under the Installment Sale Agreement, as described in Section 9.05 of the Installment Sale Agreement;

notwithstanding that any Certificates shall not have been surrendered for payment, all rights hereunder of the Owners of the Certificates and all obligations of the Corporation, the Trustee and the District under this Trust Agreement with respect to all Outstanding Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Installment Payments paid by or on behalf of the District from deposits pursuant to paragraphs (b) through (d) of this Section 13.01, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d) of this Section 13.01, the Certificates shall continue to represent direct, undivided and fractional interests of the Owners thereof in Installment Payments under the Installment Sale Agreement.

Any funds held by the Trustee, at the time of one of the events described above in subsections (a) through (d) above, which are not required for the payment to be made to Owners, or for payments to be made to the Trustee by the District (including attorneys' fees, including those allocated to in-house counsel), shall be paid over to the District.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (a) or (b) of this Section 13.01, which are not required for the payment to be made to Owners, shall, after payment of all fees and expenses of the Trustee, including attorneys' fees (including allocated costs of internal counsel), be paid over to the District.



Corporation, the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 13.06. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 13.07. Destruction of Canceled Certificates. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the District of any Certificates, the Trustee may, in lieu of such cancellation and delivery, destroy such Certificates and, upon request of the District, deliver a certificate of such destruction to the District.

Section 13.08. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 13.09. Limitation of Rights to Parties and Certificates Owners. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give to any person other than the Corporation, the District, the Trustee and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the District, the Trustee and the Owners of the Certificates delivered hereunder.

Section 15.10. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 15.11. Payment of Unclaimed Moneys. Notwithstanding any provisions of this Trust Agreement, any moneys held by the Trustee in trust for the payment of the principal or interest due with respect to any Certificates and remaining unclaimed after two (2) years, shall, on such date, be repaid to the District free from the trusts created by this Trust Agreement and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost and request of the District) first mail to the Owners to whom such amounts 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 amounts so payable and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. The Trustee shall not be liable for any interest on funds held by it. The District shall not be liable for any interest on the sums paid to it pursuant to this Section 15.11 and shall not be regarded as a trustee of such money.

Section 15.12. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never

been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date and year first above written.

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Trustee

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

PUBLIC PROPERTY FINANCING  
CORPORATION OF CALIFORNIA

By \_\_\_\_\_  
William A. Morton  
Secretary/Treasurer

MID-PENINSULA WATER DISTRICT

By \_\_\_\_\_  
Tammy A. Rudock  
General Manager

## EXHIBIT A

### DEFINITIONS

*“Acquisition Agreement”* means the Acquisition Agreement, dated as of December 1, 2016, by and between the District and the Corporation, together with any duly authorized and executed amendments thereto.

*“Additional Payments”* means the payments so designated and required to be paid by the District pursuant to Section 4.09 of the Installment Sale Agreement.

*“Assignment Agreement”* means the agreement by that name, dated as of December 1, 2016, by and between the Corporation and the Trustee, together with any amendments or supplements thereto.

*“Board”* means the Board of Directors of the District.

*“Bond Counsel”* means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the District of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

*“Business Day”* means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office is located are closed or are required to close or a day on which the New York Stock Exchange is closed.

*“Certificate Register”* means the registration books relating to the Certificates maintained by the Trustee in accordance with Section 2.12 of the Trust Agreement.

*“Certificates”* means the Certificates of Participation executed and delivered pursuant to the Trust Agreement.

*“District”* means the Mid-Peninsula Water District, a water district duly organized and existing under the Constitution and laws of the State.

*“District Representative”* means the President, the Vice President, the General Manager, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the District under or with respect to the Installment Sale Agreement and the Trust Agreement.

*“Closing Date”* means December 1, 2016, the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase of the Certificates by the Original Purchaser.

*“Code”* means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Installment Sale Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

*“Corporation”* means the Public Property Financing Corporation of California, a nonprofit, public benefit corporation organized and existing under the laws of the State.

*“Corporation Representative”* means the President, the Executive Director and the Treasurer of the Corporation, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the Corporation under or with respect to the Installment Sale Agreement, the Assignment Agreement and the Trust Agreement.

*“Debt Service”* means the scheduled amount of interest and amortization of principal payable with respect to the Certificates during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning or during such period.

*“Defeasance Obligations”* means (a) cash, (b) non callable direct obligations of the United States of America (“Treasuries”), (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (d) pre refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (e) securities eligible for “AAA” defeasance under then existing criteria of S&P.

*“Delivery Costs”* means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution and delivery of the Acquisition Agreement, the Installment Sale Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

*“Delivery Costs Fund”* means the fund by that name established pursuant to Article III of the Trust Agreement and held by the Trustee.

*“Event of Default”* means an event of default under the Installment Sale Agreement, as defined in Section 9.01 thereof.

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

*"Federal Securities"* means (a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidence of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligator and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

*"Fiscal Year"* means any period of twelve (12) consecutive months established by the District as its fiscal year and shall initially mean the period commencing July 1 of one year and ending on June 30 of the following year.

*"Gross Water System Revenues"* means all gross income and revenue received by the District from the ownership and operation of the Water System, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Water System, (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to the law to the Water System, (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted in the Installment Sale Agreement, and (d) all investment earnings credited by the Trustee under the Trust Agreement to the Installment Payment Fund; *provided, however*, that the term "Gross Water System Revenues" shall not include customers' deposits or any other deposits subject to refund until such deposits have become the property of the District.

*"Independent Counsel"* means an attorney or a firm of attorneys duly admitted to the practice of law before the highest court of the state in which he or such firm maintains an office and who is not an employee of the Corporation, the Trustee or the District.

*"Information Services"* means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

*"Installment Payment"* means any payment required to be paid by the District to the Corporation pursuant to Section 4.04 of the Installment Sale Agreement.

*"Installment Payment Date"* means the 15th day of each May and November, commencing May 15, 2017.

*"Installment Payment Fund"* means the fund by that name established and held by the Trustee pursuant to Article V of the Trust Agreement.

*"Installment Sale Agreement"* means the agreement by that name, dated as of December 1, 2016, by and between the Corporation and the District, and any duly authorized and executed amendment or supplement thereto.



*“Insurance and Condemnation Fund”* means the fund by that name established pursuant to Article VII of the Trust Agreement and held by the Trustee.

*“Interest Payment Date”* means June 1 and December 1 of each year, commencing June 1, 2017.

*“Moody’s”* means Moody’s Investors Service, New York, New York, or its successors.

*“Net Proceeds”* means any insurance proceeds or condemnation award paid with respect to the Project, remaining after payment therefrom of all expenses incurred in the collection thereof.

*“Net Revenues”* means Gross Water System Revenues less Operation and Maintenance Expenses.

*“Operation and Maintenance Expenses”* means, for any period, all reasonable and necessary costs paid or incurred by the District during such period for maintaining and operating the Water System and delivering or providing Water Service thereunder, determined in accordance with generally accepted accounting principles, including all costs of water produced or purchased by the District for resale through the Water System, and including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of the Installment Sale Agreement, the Trust Agreement or of any resolution authorizing the execution of any Installment Purchase Contract or of any such Installment Purchase Contract or of any resolution authorizing the issuance of any Bonds or of any such Bonds, such as compensation, reimbursement and indemnification of the trustee, seller or lessor for any such Installment Purchase Contracts or Bonds and the fees of any Independent Certified Public Accountants or Independent Engineers, but excluding in all cases, depreciation, replacement and obsolescence charges or reserve therefor and amortization of intangibles.

*“Original Purchaser”* means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

*“Outstanding”*, when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 9.03 of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

(a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Certificates for the payment or redemption of which funds or eligible securities in the necessary amount, including accrued interest thereon, shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Section 4.03 of the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.09 of the Trust Agreement.

*“Owner” or “Certificate Owner” or “Owner of a Certificate”, or any similar term, means the person in whose name a Certificate shall be registered.*

*“Parity Debt” means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues equally and ratably with the Installment Payments.*

*“Permitted Encumbrances” means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of Article V of the Installment Sale Agreement, permit to remain unpaid; (b) the Installment Sale Agreement and the assignment of the Corporation’s interests in the Installment Sale Agreement pursuant to the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law and (d) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of the Installment Sale Agreement.*

*“Permitted Investments” means any of the following, but only to the extent that the same are acquired at Fair Market Value, provided that the Trustee is entitled to rely upon any investment direction received by it hereunder as a certification that such investment constitutes a Permitted Investment hereunder:*

(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of which are fully guaranteed by the United States of America or any certificates, receipts, securities or other obligations evidencing ownership or the right to receive a specified portion of payments to be made on any such security;

(b) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Farm Credit Bank, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Farmer’s Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; or by any agency, department or instrumentality of the United States if such obligations are rated within the top two ratings of a nationally recognized rating service;

(c) bonds of the State or of any county or city or other political subdivision of the State, and other obligations the interest on which is excluded from gross income for federal income tax purposes, for which a nationally recognized rating service is maintaining a rating within the top two ratings of such rating service;

(d) repurchase agreements with banks (including the Trustee), lead banks of parent holding companies, or savings and loan associations, with a combined capital and surplus aggregating at least fifty million dollars (\$50,000,000) and the unsecured securities of which are rated by a nationally recognized rating service within the top two ratings of such rating service, or secured by a letter of credit issued by such bank, lead bank or savings and loan association, or the underlying securities of which are obligations described in clause (a) or (b) of this definition provided that such collateral security continuously has a market value (valued at least quarterly) at least equal to the repurchase price from time to time payable with respect thereto, so long as such underlying obligations or securities are in the possession of the Trustee and provided further that, as evidenced by an opinion of counsel, the Trustee shall have a perfected security interest in such collateral security, free and clear of any third-party claims;

(e) interest-bearing banker's acceptances, investment agreements, demand or time deposits (including certificates of deposit) and guaranteed investment contracts in or with banks (including the Trustee and its affiliates), and savings and loan associations, provided such deposits are either (i) secured at all times, in the manner and to the extent provided by law, by collateral security (described in clauses (a) or (b) of this definition) of a market value of no less than the amount of moneys so invested or (ii), in or with banks (including the Trustee) or savings and loan associations having a combined capital and surplus of at least fifty million dollars (\$50,000,000) and whose rating, or the rating of its parent holding company, is within the top two ratings of a nationally recognized rating service or (iii) fully insured by the Federal Deposit Insurance Corporation;

(f) Investment agreements with any nationally or state-chartered bank, financial institution, insurance company, trust company, or any other publicly traded corporation which has long-term debt obligations rated in one of the two highest rating categories of a nationally recognized rating service;

(g) taxable government money market funds (including funds for which the Trustee or its affiliates provide investment advisory or other management services) rated in the highest rating category by S&P or whose portfolios are restricted to (i) obligations with maturities of one year or less, issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America, or consisting of securities designated in clause (b) of this definition, or (ii) such obligations or repurchase agreements fully collateralized by obligations with an average maturity of one year or less issued or guaranteed as to payment of principal by the full faith and credit of the United States of America if, in the case of this clause (f) only, such portfolio is rated in the top rating category of a national rating agency;

(h) obligations the interest on which is excludable from gross income for purposes of federal income taxation and the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (a), (b) or (e) of this definition (not callable by the issuer thereof prior to maturity) and the trust or escrow instructions for which cannot be amended to provide for redemption of such obligations prior to the date set forth in the trust or escrow agreement governing such deposit and are rated by each rating agency then rating the Bonds in its highest rating category; and

(i) the Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

*"Prepayment"* means any payment applied towards the prepayment of the Installment Payments, in whole or in part, pursuant to Article X of the Installment Sale Agreement.

*"Principal Corporate Trust Office"* means the corporate trust office of the Trustee in \_\_\_\_\_, California, or at such other address designated by the Trustee by written notice filed with the District and the Corporation, except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

*"Proceeds,"* when used with reference to the Certificates, means the face amount of the Certificates, plus accrued interest and premium, if any, less original issue discount, if any.

*"Project"* means the improvements to the Water System described in Exhibit B to the Installment Sale Agreement.

*“Project Costs”* means the costs of the acquisition, construction, rehabilitation, equipping, improvement or financing of improvements to, or part of, the Water System constituting the Project.

*“Project Fund”* means the fund by that name established pursuant to Article III of the Trust Agreement and held by the Trustee.

*“Rating Category”* means, with respect to any Permitted Investment, one or more of the generic categories of rating by Moody’s and/or S&P applicable to such Permitted Investment, without regard to any refinement or gradation of such rating category by a plus or minus sign.

*“Regular Record Date”* means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

*“S&P”* means S&P Global Ratings, or its successors.

*“Securities Depositories”* means The Depository Trust Company, 55 Water Street, 50<sup>th</sup> Floor, New York, NY 10041 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

*“State”* means the State of California.

*“Subordinate Debt”* means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues subordinate to the Installment Payments.

*“Term of the Installment Sale Agreement”* means the time during which the Installment Sale Agreement is in effect, as provided in Section 4.03 of the Installment Sale Agreement.

*“Trustee”* means The Bank of New York Mellon Trust Company, N.A., or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

*“Trust Agreement”* means the agreement by that name, dated as of December 1, 2016, by and among the Trustee, the Corporation and the District, together with any amendments or supplements thereto permitted to be made thereunder.

*“Water System”* means all facilities, properties, structures or works for the production, storage and delivery of water now owned by or hereafter acquired and constructed by the District and determined to be a part of the Water System, including all contractual rights for water, together with additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed by the District.

*“Written Certificate”* of the District means a written certificate signed in the name of the District by a District Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.03 of the Trust Agreement or Section 1.02 of the Installment Sale Agreement, each such certificate shall include the statements provided for in Section 1.03 of the Trust Agreement or Section 1.02 of the Installment Sale Agreement.

**EXHIBIT B**

**FORM OF CERTIFICATE OF PARTICIPATION**

**CERTIFICATE OF PARTICIPATION  
(2016 Financing Project)  
Evidencing a Direct, Undivided Fractional Interest of the  
Owner Hereof in Installment Payments to be Made by the  
MID-PENINSULA WATER DISTRICT  
(San Mateo County, California)  
As the Purchase Price for Certain Property Pursuant to an  
Installment Sale Agreement with the  
Public Property Financing Corporation of California**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____ %	December 1, _____	December 1 2016	_____

REGISTERED OWNER: CEDE & CO.

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

This is to certify that this Certificate of Participation (the "Certificate") evidences a direct, undivided fractional interest in the right to receive certain installment payments (the "Installment Payments") under, and as defined in, that certain Installment Sale Agreement, dated as of December 1, 2016 (the "Installment Sale Agreement"), by and between the Public Property Financing Corporation of California, a nonprofit, public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), and the Mid-Peninsula Water District, a water district organized and existing under the Constitution and laws of the State of California (the "District"). The Installment Payments to be made under the Installment Sale Agreement have been assigned to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), having an office at which it conducts its corporate trust business in San Francisco, California, or such other office designated by the trustee from time to time (said office being herein referred to as the "Principal Office"). The Registered Owner stated above, or registered assigns (the "Owner"), is entitled to receive, on the Maturity Date stated above, the Principal Amount stated above, subject to the terms of the Installment Sale Agreement, which represents a portion of the Installment Payments designated as principal coming due on the Installment Payment Date (as defined in the Installment Sale Agreement) immediately preceding the Maturity Date. The Owner is also entitled to receive, subject to the terms of the Installment Sale Agreement, semiannually on each June 1 and December 1, commencing June 1, 2017 (the "Interest Payment Dates"), to and including the Maturity Date or the date of redemption, whichever is earlier, the Owner's fractional share of the Installment Payments designated as interest coming due with respect to each of the Interest Payment Dates; provided, however, that interest with respect to such principal amount shall be payable from the Interest Payment Date next preceding the date of execution of this Certificate unless (i) this Certificate is executed on a Interest Payment Date, in which event interest shall be payable from

such Interest Payment Date, or (ii) this Certificate is executed after the close of business on the fifteenth (15th) day of the month immediately preceding the following Interest Payment Date (the "Record Date") and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) this Certificate is executed on or before May 15, 2017, in which event interest shall be payable from the Dated Date. Said fractional share of the portion of the Installment Payments designated as interest is the result of the multiplication of the Principal Amount by the Interest Rate per annum stated above. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months.

Said amounts are payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. The amounts representing principal are payable upon presentation and surrender of this Certificate at the Principal Office and the amounts representing interest are payable by check of the Trustee mailed first class, postage prepaid, on each Interest Payment Date to the Owner of record at the close of business on the Record Date, or by wire transfer at the written request of the Owner of not less than \$1,000,000 principal amount of Certificates received by the Trustee prior to the Record Date.

The District is authorized to enter into the Installment Sale Agreement pursuant to the laws of the State of California and Resolution No. \_\_\_\_ of the District adopted on October 11, 2016. The Corporation has assigned its rights to receive Installment Payments to the Trustee pursuant to an Assignment Agreement, dated as of December 1, 2016, by and between the Corporation and the Trustee (the "Assignment Agreement"), and a Trust Agreement, dated as of December 1, 2016, by and among the Trustee, the Corporation and the District (the "Trust Agreement").

This Certificate has been executed by the Trustee pursuant to the terms of the Trust Agreement. Copies of the Installment Sale Agreement, the Assignment Agreement and the Trust Agreement are on file at the office of the District and at the Principal Corporate Trust Office, and reference to the Trust Agreement, the Installment Sale Agreement, the Assignment Agreement and any and all amendments to said agreements is made for a description of the pledges and covenants of the District securing the Installment Payments, the nature, extent and manner of enforcement of such pledges and covenants, the rights and remedies of the registered owners of the Certificates with respect thereto and the terms and conditions upon which the Certificates are delivered thereunder. To the extent and in the manner permitted by the terms thereof, the provisions of the Installment Sale Agreement and the Trust Agreement may be amended by the parties thereto with the written consent of the registered owners of at least sixty percent (60%) in principal amount with respect to the Certificates then outstanding, or without such consent with respect to an amendment not adversely affecting the interests of the registered owners of the Certificates.

The District is obligated under the Installment Sale Agreement to pay Installment Payments from Net Revenues of the Water System (as such terms are defined in the Installment Sale Agreement) and certain other sources, all as provided in the Installment Sale Agreement. The obligation of the District to pay the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Installment Payments does not constitute a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The registration of this Certificate shall be transferable only upon the Certificate registration books, which shall be kept for that purpose at the Principal Corporate Trust Office, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee

duly executed by the Owner of this Certificate or his duly authorized attorney. Upon the registration of the transfer and the surrender of this Certificate, the Trustee shall provide, in the name of the transferee, a new fully registered Certificate or Certificates of the same aggregate principal amount and Maturity Date as the surrendered Certificate.

The Certificates are delivered in the form of fully registered Certificates in denominations of \$5,000 each or any integral multiple thereof and upon surrender thereof at the Principal Office with a written request for exchange satisfactory to the Trustee duly executed by the registered owner thereof or his attorney duly authorized in writing, may, at the option of such registered owner thereof, be exchanged for an equal aggregate principal amount of Certificates of any other authorized denominations and of the same Maturity Date.

No transfer or exchange of Certificates shall be required to be made during the fifteen (15) days prior to the date of selection of Certificates for redemption or of any Certificate selected for redemption.

Certificates maturing on or after December 1, \_\_\_\_, are subject to redemption in whole or in part on any date on or after December 1, \_\_\_\_, at the principal amount with respect thereto, together with accrued interest to the date fixed for redemption from the proceeds of optional prepayments made by the District pursuant to the Installment Sale Agreement, without premium.

The Certificates maturing on December 1, \_\_\_\_, are subject to mandatory redemption in part on December 1, \_\_\_\_, and on each December 1 thereafter to and including December 1, \_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date (subject to abatement, as set forth in the Installment Sale Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year</u> <u>(December 1)</u>	<u>Principal Amount of</u> <u>Certificates to be Redeemed</u>
------------------------------------	--

\_\_\_\_\_  
†Maturity.

The Certificates maturing on December 1, \_\_\_\_, are subject to mandatory redemption in part on December 1, \_\_\_\_, and on each December 1 thereafter to and including December 1, \_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date (subject to abatement, as set forth in the Installment Sale Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year</u> <u>(December 1)</u>	<u>Principal Amount of</u> <u>Certificates to be Redeemed</u>
------------------------------------	--

\_\_\_\_\_  
†Maturity.

The Certificates are subject to mandatory redemption in whole or in part from time to time, in any order of maturity selected by the District and by lot within a maturity, on any Interest Payment Date, without premium, at the principal amount thereof, together with accrued interest to the date fixed for redemption from the net proceeds of an insurance or condemnation award deposited with the Trustee, as provided in the Trust Agreement.

Notice of redemption, unless waived, is to be given by the Trustee by mailing a redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the registered owner of the Certificate or Certificates to be redeemed at the address shown on the Certificate registration books maintained by the Trustee. Notice of redemption having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price) interest with respect to such Certificates or portions of Certificates shall cease to be payable.

The Trustee has no obligation or liability to the registered owners of the Certificates to make payments of principal or interest with respect to the Certificates, except from funds held by the Trustee under the Trust Agreement. The Trustee's primary obligations are to administer, for the benefit of the registered owners of the Certificates, the various funds and accounts established under the Trust Agreement. The Trustee is not responsible for the recitals of fact in this Certificate.

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

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

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

Execution Date: \_\_\_\_\_

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Trustee

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



**FORM OF ASSIGNMENT**

For value received, the undersigned do(es) hereby sell, assign and transfer unto

\_\_\_\_\_

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

the within Certificate and do(es) hereby irrevocably constitute and appoint

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

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

Signature Guaranteed:

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

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

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## CONTINUING DISCLOSURE CERTIFICATE

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This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the MID-PENINSULA WATER DISTRICT (the "District") in connection with the execution and delivery of \$\_\_\_\_\_ Mid-Peninsula Water District (San Mateo County, California) Certificates of Participation (2016 Financing Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2016, by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the District and the Public Property Financing Corporation of California (the "Trust Agreement"). Pursuant to Section 11.08 of the Trust Agreement, the District covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

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

"*Dissemination Agent*" shall mean \_\_\_\_\_ or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

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

"*Participating Underwriter*" shall mean any original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on December 31), commencing with the report for the 2015-16 Fiscal Year, which is due not later than March 31, 2017, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

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

(a) *Financial Statements*. Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, as follows:

- (1) Ten largest customers by revenue.
- (2) Ten largest customers by consumption.
- (3) Water rates.
- (4) Debt service coverage ratio.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

#### Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination Agent (if not the District) to, give notice of the occurrence of any of the following events with respect to the Certificates:

- (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) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Certificates under the Trust Agreement.

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

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

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Certificate owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid reasonable compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to

time and all reasonable expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3. The Dissemination Agent shall have no liability of any kind whatsoever to the Corporation, or any other person or entity, arising from or related to the failure of the Dissemination Agent to provide such request to the Corporation.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Certificate owners in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Certificate owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Trust Agreement. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

The Dissemination Agent agrees to accept and act upon instructions or directions pursuant to this Disclosure Certificate sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Dissemination Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District or the City elects to give the Dissemination Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Dissemination Agent in its discretion elects to act upon such instructions, the Dissemination Agent's understanding of such instructions shall be deemed controlling. The Dissemination Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Dissemination Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District and the City agree: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Dissemination Agent, including without limitation the risk of the Dissemination Agent 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 Dissemination Agent and that there may be more secure methods of transmitting instructions than the method(s) selected by the District or the City; and (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.

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

Section 14. Governing Law. This Disclosure Certificate shall be governed by the laws of the state of California.

Date: December 1, 2016

MID-PENINSULA WATER DISTRICT

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

ACKNOWLEDGED:

\_\_\_\_\_, as Dissemination  
Agent

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_



EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Mid-Peninsula Water District

Name of Issue: \$\_\_\_\_\_ Certificates of Participation (2016 Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Installment Payments to be Made by the Mid-Peninsula Water District (San Mateo County, California), As the Purchase Price for Certain Property Pursuant to an Installment Sale Agreement with the Public Property Financing Corporation of California

Date of Issuance: December 1, 2016

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated December 1, 2016, furnished by the District in connection with the Issue. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_

\_\_\_\_\_, Dissemination Agent

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

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 31, 2016

NEW ISSUE—FULL BOOK ENTRY

RATING:  
S&P: “ ”  
See “RATING” herein

In the opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, subject to compliance by the District with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Special Counsel, interest with respect to the Certificates is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.

\$ \_\_\_\_\_ \*

**CERTIFICATES OF PARTICIPATION**  
**(2016 Financing Project)**  
**Evidencing the Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Installment Payments to be Made by the**  
**MID-PENINSULA WATER DISTRICT**  
**(San Mateo County, California)**  
**As the Purchase Price for Certain Property**  
**Pursuant to an Installment Sale Agreement with the**  
**Public Property Financing Corporation of California**



**Dated: Date of Delivery**

**Due: December 1, as shown on the Inside Cover**

The captioned certificates of participation (the “Certificates”) are being executed and delivered to provide funds to (a) finance the acquisition and construction of certain improvements and facilities which constitute part of the municipal water system (the “Water System”) of the Mid-Peninsula Water District (the “District”), and (b) pay costs of the financing, all as more fully described herein. See “THE PLAN OF FINANCING” herein. The Certificates will evidence the direct, undivided fractional interests of the registered owners thereof (the “Owners”) in installment payments (the “Installment Payments”) to be made by the District as the purchase price for certain property pursuant to an installment sale agreement, dated as of December 1, 2016 (the “Installment Sale Agreement”), with the Public Property Financing Corporation of California (the “Corporation”). The Corporation will assign its right to receive Installment Payments from the District under the Installment Sale Agreement and its right to enforce payment of the Installment Payments when due or otherwise protect its interest in the event of a default by the District thereunder to The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as trustee (the “Trustee”), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered pursuant to a trust agreement, by and among the Corporation, the District and the Trustee, dated as of December 1, 2016 (the “Trust Agreement”). The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (referred to herein as “DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each June 1 and December 1, commencing June 1, 2017. The Certificates may be executed and delivered in denominations of \$5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See “THE CERTIFICATES—Book-Entry-Only System” herein).

*The Certificates are subject to redemption.* See “THE CERTIFICATES—Redemption” herein.

The District is legally required under the Installment Sale Agreement to make Installment Payments from a first and prior lien on the Net Revenues of the Water System. “Net Revenues” are the gross revenues of the Water System less operating and maintenance expenses of the Water System. Installment Payments are scheduled in an amount sufficient to pay, when due, the annual principal and interest with respect to the Certificates. The District has covenanted under the Installment Sale Agreement to prescribe, revise and collect such charges from the services and facilities of the Water System which will produce gross revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.30 times the aggregate annual payment requirements with respect to the Installment Sale Agreement and any parity obligations in such Fiscal Year, as required by the Installment Sale Agreement. The District’s obligation to pay the Installment Payments is on a parity with any additional parity obligations incurred by the District in the future. A reserve fund will not be funded for the Certificates.

THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS DESCRIBED HEREIN IS A LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES OF THE WATER SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT, SAN MATEO COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS**

**SEE THE INSIDE COVER**

Bids for the purchase of the Certificates will be received by the District on November 15, 2016, *electronically only*, through the I-Deal LLC BidCOMP/PARITY® system, until 10:00 A.M., Pacific Daylight time. The Certificates will be sold pursuant to the terms of sale set forth in the Official Notice of Sale, dated October 31, 2016.

The following firm, serving as financial advisor to the District, has structured this issue:

**Wulff, Hansen & Co.**

Established 1931  
Investment Bankers

The cover page contains certain information for general reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

*The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, Larkspur, California, as Special Counsel. Certain matters will be passed upon for the District by Hanson Bridgett LLP, San Francisco, California, District Counsel, and by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Certificates will be available for delivery through the facilities of DTC on or about December 1, 2016.*

Dated: November \_\_, 2016

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy 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 a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$ \_\_\_\_\_ \*

**CERTIFICATES OF PARTICIPATION**  
**(2016 Financing Project)**  
**Evidencing the Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Installment Payments to be Made by the**  
**MID-PENINSULA WATER DISTRICT**  
**(San Mateo County, California)**  
**As the Purchase Price for Certain Property**  
**Pursuant to an Installment Sale Agreement with the**  
**Public Property Financing Corporation of California**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS\*

CUSIP+ Prefix: \_\_\_\_\_

<u>Maturity</u> <u>December 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP+</u> <u>Suffix</u>
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\*Preliminary, subject to change.

†Copyright 2016, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Certificates. Neither the City nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the District with respect to the Bonds that has been deemed “final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.*

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

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

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

The information set forth herein has been obtained from the District and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates 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 the Certificates, the Acquisition Agreement, the Installment Sale Agreement, the Trust Agreement, the Assignment Agreement, or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the General Manager for further information. See “INTRODUCTION—Other Information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the District’s forecasts in any way. Neither the District nor the Corporation is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

The execution, sale and delivery of the Certificates has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

**Website.** The District maintains a website. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates.

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**MID-PENINSULA WATER DISTRICT**

3 Dairy Lane  
P.O. Box 129  
Belmont, CA 94002  
(650) 591-8941  
(650) 591-4998 (Fax)  
*<https://www.midpeninsulawater.org>*

**DISTRICT AND CORPORATION BOARD OF DIRECTORS**

Matthew P. Zucca, *President*  
Dave Warden, *Vice President*  
Al Stuebing, *Director*  
Louis Vella, *Director*  
Betty L. Linvill, *Director*

**DISTRICT STAFF**

Tammy Rudock, *General Manager*  
Candy Piña, *Administrative Services Manager/Board Secretary*  
Rene A. Ramirez, *Operations Manager*

**PROFESSIONAL SERVICES**

Quint & Thimmig LLP  
Larkspur, California  
*Special Counsel and Disclosure Counsel*

The Bank of New York Mellon Trust Company, N.A.  
San Francisco, California  
*Trustee*

Wulff, Hansen & Co.  
San Francisco, California  
*Municipal Advisor*

**OFFICIAL STATEMENT**

\$ \_\_\_\_\_ \*

**CERTIFICATES OF PARTICIPATION**

**(2016 Financing Project)**

**Evidencing the Direct, Undivided Fractional Interests of the  
Owners Thereof in Installment Payments to be Made by the  
MID-PENINSULA WATER DISTRICT  
(San Mateo County, California)**

**As the Purchase Price For Certain Property Pursuant to an  
Installment Sale Agreement with the  
Public Property Financing Corporation of California**

**INTRODUCTION**

**General**

The purpose of this Official Statement, which includes the cover page, inside cover page, Table of Contents and Appendices (the “Official Statement”), is to provide certain information concerning the sale and delivery of Certificates of Participation (2016 Financing Project) (the “Certificates”), in aggregate principal amount of \$\_\_\_\_\_.\* representing the direct, undivided fractional interests of the registered owners thereof (the “Owners”) in installment payments (the “Installment Payments”) to be made by the Mid-Peninsula Water District, California (the “District”), as the purchase price for certain portions (the “Project”) of the District’s water system (the “Water System”), pursuant to an Installment Sale Agreement, dated as of December 1, 2016 (the “Installment Sale Agreement”), by and between the Public Property Financing Corporation of California (the “Corporation”) and the District. The Certificates are being executed and delivered to (a) finance the acquisition and construction of certain improvements and facilities which constitute part of the Water System (the “Project”), and (b) pay costs of the financing, all as more fully described herein. See “THE PROJECT.”

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2016 (the “Trust Agreement”), by and among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Pursuant to an Assignment Agreement, dated as of December 1, 2016 between the Corporation and the Trustee (the “Assignment Agreement”), the Corporation will assign to the Trustee, for the benefit of the Owners, its rights under the Installment Sale Agreement, including (i) its right to receive Installment Payments, and (ii) its right to enforce amounts payable upon default.

Capitalized terms appearing herein and not otherwise defined have the respective meanings assigned to those terms in APPENDIX A—”SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINED TERMS.”

In general, the District is required to pay to the Trustee, from a first and prior lien on Net Revenues, Installment Payments which are designed to be sufficient in both time and amount to pay, when due, the principal and interest with respect to the Certificates. “Net Revenues” are the Gross Water

---

\* Preliminary, subject to change.



System Revenues less Maintenance and Operation Expenses. The District has covenanted in the Installment Sale Agreement to prescribe, revise and collect such charges from the services and facilities of the Water System which will produce Gross Water System Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.30 times the aggregate annual payment requirements with respect to the Installment Sale Agreement and any parity obligations in such Fiscal Year.

A Reserve Fund will not be established for the Certificates.

THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS CONSTITUTES A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES AND DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

### **The District**

The Mid-Peninsula Water District is a Special District formed in 1929 under the County Water District Act of California. The District was incorporated in 1929 and is located in east central San Mateo County on the San Francisco Peninsula, about 30 miles south of San Francisco, in California.

The District supplies water to consumers in an area slightly larger than the city limits of the City of Belmont. Small portions of the service area are within the city limits of the City of San Carlos, and parts of the unincorporated County of San Mateo. The District's service territory covers approximately five (5) square miles and currently serves approximately 27,000 people.

For further information concerning the District, see "THE MID-PENINSULA WATER DISTRICT" "WATER SYSTEM," and "DISTRICT FINANCIAL MATTERS" below.

### **District Finances**

The District's fiscal year 2015-16 revenues totaled approximately \$ \_\_\_\_\_. Water sales are the primary source of revenue for the District and, in general, account for approximately 99% of District revenues.

The District has the power and authority to establish charges for service without the review or approval of any other governmental body. The District's rates and charges are established by ordinance of the District's Board of Directors. The District can refuse or terminate service to delinquent customers and can require full payment of delinquent amounts and reconnection charges to resume service. Unpaid charges may become a lien on real property by recordation of a notice thereof.

For further information concerning District finances, see "DISTRICT FINANCIAL MATTERS."

**Continuing Disclosure**

The District has covenanted, for the benefit of the owners and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the Wastewater System by not later than nine months following the end of each Fiscal Year (currently June 30), and to provide notices of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE” and APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE.

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds to be received from the sale of Certificates are anticipated to be applied as follows:

<b>SOURCES:</b>	
Par Amount of Certificates	
Plus: Net Original Issue Premium	
Total Sources of Funds	_____
<b>USES:</b>	
Deposit to Project Fund	
Deposit to Delivery Costs Fund (3)	
Total Uses of Funds	=====

(1) Amounts deposited in the Delivery Costs Fund will be applied to the payment of all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the financing, including but not limited to the Underwriter’s discount, initial fees and charges and first year’s administration fee of the Trustee, Trustee’s counsel fees and expenses, legal fees and charges, financial and other professional consultant fees.

**THE PROJECT**

The Certificates are being executed and delivered to (a) finance the Project, and (b) pay the costs of the transaction.

**THE CERTIFICATES**

**General Provisions**

The Certificates will be dated as of their date of delivery, will be entitled to the interest portion of the Installment Payments at the rates per annum set forth on the inside cover page hereof, payable semiannually on each June 1 and December 1, commencing June 1, 2017 (each, an “Interest Payment

Date”), and will be payable on December 1 in each year of the designated years set forth on the inside cover page hereof.

The Certificates will be executed and delivered in fully registered form without coupons, in the denomination of \$5,000 each or any integral multiple thereof. Principal of the Certificates will be payable upon surrender at the principal corporate trust office of the Trustee in San Francisco, California. Interest with respect to the Certificates will be payable by check or draft mailed by first class mail to the Owners at the addresses listed on the registration books maintained by the Trustee for such purpose or, upon written request of an owner of at least \$1,000,000 in aggregate principal amount of the Certificates, by wire transfer to an account in the continental United States of America at said Owner’s sole cost and expense.

The Certificates, when delivered, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“DTC,” together with any successor securities depository, the “Securities Depository”). DTC will act as Securities Depository for the Certificates so purchased. Individual purchases will be made in book-entry-only form. Purchasers will not receive a certificate representing their beneficial ownership interest in Certificates. So long as Cede & Co. is the registered owner of the Certificates, as nominee of DTC, references herein to the Owners, holders or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the “Beneficial Owners” of the Certificates. In this Official Statement, the term “Beneficial Owner” shall mean the person for whom a Participant (as defined herein) acquires an interest in the Certificates. See APPENDIX E—BOOK-ENTRY ONLY SYSTEM.

So long as Cede & Co. is the registered owner of the Certificates, principal of, premium (if any) and interest on the Certificates are payable by wire transfer of same-day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX E—BOOK-ENTRY ONLY SYSTEM.

In the event the use of the book-entry-only system is discontinued, principal of the Certificates will be payable upon surrender thereof at the principal corporate trust office of the Trustee in San Francisco, California. Interest payable on the Certificates will be paid by check mailed on the Interest Payment Date to the person in whose name each Certificate is registered in the registration books maintained by the Trustee as of the applicable Record Date for such Interest Payment Date; provided that registered owners of \$1,000,000 or more in aggregate principal amount of Certificates may request payment by wire transfer, such request to be submitted in writing to the Trustee on or before the applicable Record Date for such Interest Payment Date in accordance with the provisions set forth in the Trust Agreement.

### **Optional Redemption**

The Certificates maturing on or before December 1, \_\_\_\_\_, are not subject to optional redemption prior the respective stated maturities. The Certificates maturing on or after December 1, \_\_\_\_\_, are subject to optional redemption in whole or in part on any date on or after December 1, \_\_\_\_\_, from the proceeds of optional Prepayments made by the District pursuant to the Installment Sale Agreement, without premium.

### Extraordinary Mandatory Redemption

The Certificates are subject to redemption in whole or in part on any date from the Net Proceeds of any insurance or condemnation award deposited in the Installment Payment Fund and credited towards the Prepayment made by the District pursuant to the Installment Sale Agreement, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

### Mandatory Sinking Fund Redemption

The Certificates maturing on December 1, \_\_\_\_\_, are subject to mandatory redemption in part on December 1, \_\_\_\_\_, and on each July 1 thereafter to and including December 1, \_\_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date (subject to abatement, as set forth in the Installment Sale Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year (December 1)</u>	<u>Principal Amount of Certificates to be Redeemed</u>
------------------------------	--

†Maturity.

The Certificates maturing on December 1, \_\_\_\_\_, are subject to mandatory redemption in part on December 1, \_\_\_\_\_, and on each July 1 thereafter to and including December 1, \_\_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date (subject to abatement, as set forth in the Installment Sale Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year (December 1)</u>	<u>Principal Amount of Certificates to be Redeemed</u>
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†Maturity.

In the event the Trustee shall redeem Certificates in part but not in whole pursuant to the optional or extraordinary mandatory redemption provisions (from insurance or condemnation proceeds), the amount of the Certificates, maturing on December 1, \_\_\_\_\_, and December 1, \_\_\_\_\_, to be redeemed shall be reduced pro rata to correspond to the principal components of the Installment Payments prevailing following either such redemption.

### Selection of Certificates for Redemption

Whenever provision is made in the Trust Agreement for the redemption of Certificates and less than all Outstanding Certificates are called for redemption, the Trustee shall select Certificates for

redemption in any order of maturity as selected in writing by the District (and if not selected by the District, on a pro rata basis) and by lot within a maturity. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates so selected for redemption.

### **Notice of Redemption**

Notice of any such redemption shall be given by the Trustee on behalf and at the expense of the District by mailing a copy of a redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Certificate Register maintained by the Trustee; *provided, however,* that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Certificates.

All notices of redemption shall be dated and shall state: (i) the redemption date, (ii) the redemption price, (iii) if less than all Outstanding Certificates are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Certificates to be redeemed and a statement that such redemption shall be conditioned on the timely delivery by or on behalf of the District to the Trustee of the funds required for such redemption, (iv) that on the redemption date the redemption price will become due and payable with respect to each such Certificate or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, (v) the place where such Certificates are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Corporate Trust Office.

Prior to the mailing of any redemption notice (other than a redemption notice relating to Certificates that are the subject of an advance refunding), the District shall deposit, or cause to be deposited, with the Trustee an amount of money sufficient to pay the redemption price of all the Certificates or portions of Certificates which are to be redeemed on the applicable redemption date. In the case of a redemption notice relating to Certificates that are the subject of an advance refunding, the District shall deposit, or cause to be deposited, with the Trustee on or prior to the redemption date, an amount of money sufficient to pay the redemption price of all the Certificates or portions of Certificates which are to be redeemed on such redemption date.

Notice of redemption having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price) interest with respect to such Certificates or portions of Certificates shall cease to be payable. Upon surrender of such Certificates for redemption in accordance with said notice, such Certificates shall be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Certificate, there shall be executed and delivered for the Owner a new Certificate or Certificates of the same maturity in the amount of the unredeemed principal. All Certificates which have been redeemed shall be canceled by the Trustee, shall not be reissued and shall be destroyed pursuant to the Trust Agreement.

In addition to the foregoing notice, notice shall be given by the Trustee by telecopy, registered, certified or overnight mail, to all Securities Depositories one Business Day prior to the date of mailing of notice to the Owners and to an Information Service on the date such notice is mailed to the Owners, which shall state the information set forth above, but no defect in said notice nor any failure to give all or

any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

Neither the District nor the Trustee shall have any responsibility for a defect in the CUSIP number that appears on any Certificate or in the redemption notice. The redemption notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Certificate Owners and that the Trustee and the District shall not be liable in any way for inaccuracies in said numbers.

Upon surrender of any Certificate redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Notice having been given as aforesaid, and the moneys for the redemption, including interest to the applicable Interest Payment Date and premium, if any, having been set aside in the Installment Payment Fund, the Certificates to be redeemed shall become due and payable on said Interest Payment Date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount with respect thereto, plus redemption premium, if any, and any unpaid and accrued interest to said Interest Payment Date.

If, on said Interest Payment Date, moneys for the redemption of all the Certificates to be redeemed, together with interest to said Interest Payment Date, shall be held by the Trustee so as to be available therefor on such Interest Payment Date, and, if notice of redemption thereof shall have been given as aforesaid, then, from and after said Interest Payment Date, interest with respect to the Certificates to be redeemed shall cease to accrue and become payable. If said moneys shall not be so available on said Interest Payment Date, interest with respect to such Certificates shall continue to be payable at the same rates as it would have been payable had the Certificates not been called for redemption. All moneys held by or on behalf of the Trustee for the redemption of particular Certificates shall be held in trust for the account of the Owners of the Certificates so to be redeemed. The Trustee shall not be liable for any interest earned on the amounts so held.

### **Book-Entry Only System**

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the District or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX E—BOOK-ENTRY ONLY SYSTEM.

In the event that such book-entry system is discontinued with respect to the Certificates, the District will cause the Trustee to execute and deliver replacements in the form of registered certificates

and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement. In addition, the following provisions would then apply: Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request will remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

## **SOURCE OF PAYMENT FOR THE CERTIFICATES**

### **General**

Each Certificate represents a direct, undivided fractional interest in Installment Payments to be made by the District to the Corporation under the Installment Sale Agreement. The Corporation, pursuant to the Assignment Agreement, will assign certain of its rights under the Installment Sale Agreement to the Trustee for the benefit of the Owners, including its right to receive Installment Payments and prepayments made under the Installment Sale Agreement and its rights to enforce payment of the Installment Payments when due in the event of a default by the District. The obligation of the District to make Installment Payments constitutes a special obligation of the District payable solely from a first and prior lien on the Net Revenues, certain net proceeds of insurance or condemnation proceedings pertaining to the Project to the extent that such net proceeds are not used for the repair, reconstruction or replacement of the Project pursuant to the Installment Sale Agreement, and certain interest and other income derived from the investment of moneys held in funds and accounts held by the Trustee for the District pursuant to the Trust Agreement.

### **No Reserve Fund**

A reserve fund will not be established for the Certificates.

### **Special Obligation of the District**

The District's obligation to pay the Installment Payments shall be a special obligation limited solely to Net Revenues. Under no circumstances shall the District be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments, nor shall any other funds or property of the District be liable for the payment of the Installment Payments.

“*Net Revenues*” means Gross Water System Revenues less Operation and Maintenance Expenses.

“*Gross Water System Revenues*” means all gross income and revenue received by the District from the ownership and operation of the Water System, including, without limiting the generality of the

foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Water System, (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to the law to the Water System, (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted in the Installment Sale Agreement, and (d) all investment earnings credited by the Trustee under the Trust Agreement to the Installment Payment Fund; *provided, however*, that the term “Gross Water System Revenues” shall not include customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District.

“*Maintenance and Operation Costs of the Water System*” means, for any period, all reasonable and necessary costs paid or incurred by the District during such period for maintaining and operating the Water System and delivering or providing Water Service thereunder, determined in accordance with generally accepted accounting principles, including all costs of water produced or purchased by the District for resale through the Water System, and including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of the Installment Sale Agreement, the Trust Agreement or of any resolution authorizing the execution of any Installment Purchase Contract or of any such Installment Purchase Contract or of any resolution authorizing the issuance of any Bonds or of any such Bonds, such as compensation, reimbursement and indemnification of the trustee, seller or lessor for any such Installment Purchase Contracts or Bonds and the fees of any Independent Certified Public Accountants or Independent Engineers, but excluding in all cases, depreciation, replacement and obsolescence charges or reserve therefor and amortization of intangibles.

The obligations of the District to make the Installment Payments from Net Revenues and to perform and observe the other agreements contained in the Installment sale Agreement shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach of the District, the Corporation or the Trustee of any obligation to the District or otherwise with respect to the Water System, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation or the Trustee. Until such time as all of the Installment Payments shall have been fully paid or prepaid, the District (a) will not suspend, abate, or discontinue any payments provided for in the Installment Sale Agreement, (b) will perform and observe all other agreements contained in the Installment Sale Agreement, and (c) will not terminate the Term of the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, the taking by eminent domain of title to or temporary use of any or all of the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Corporation or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement, the Assignment Agreement or the Installment Sale Agreement.

Nothing shall be construed to release the Corporation from the performance of any of the agreements on its part contained in the Installment Sale Agreement, and in the event the Corporation



shall fail to perform any such agreements on its part, the District may institute such action against the Corporation as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the first sentence of the preceding paragraph. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Corporation prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's right of possession, occupancy and use hereunder, and in such event the Corporation has agreed to cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District shall so request.

### **Pledge of Net Revenues; Deposits to Pay Installment Payments; Release from Lien**

*Pledge of Net Revenues.* The District has agreed that the payment of the Installment Payments shall be secured by a pledge, charge and first and prior lien upon Net Revenues, and Net Revenues sufficient to pay the Installment Payments as they become due and payable, are pledged, charged, assigned, transferred and set over by the District to the Corporation and its assigns for the purpose of securing payment of the Installment Payments. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments.

*Transfer to Pay Installment Payments.* In order to provide for the payment of Installment Payments when due, the District shall, on or before each Installment Payment Date, transfer to the Trustee for deposit into the Installment Payment Fund the amount required for the next occurring Installment Payment Date. The District shall be obligated to make Installment Payments sufficient to pay all principal and interest due with respect to the Certificates.

*Release from Lien.* Following the transfer described above with respect to the June 15 Installment Payment Date, Net Revenues in excess of amounts required for the payment of Installment Payments and any Parity Debt and for the replenishment of the Reserve Fund, in that Fiscal Year shall be released from the lien of the Installment Sale Agreement and shall be available for any lawful purpose of the District.

### **Rate Covenant**

Subject to the requirements and limitations of Proposition 218, the District covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Water System which, after allowances for contingencies and error in the estimates, shall produce Water System Revenues sufficient in each Fiscal Year to provide Net Revenues equal to 1.30 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required to pay debt service on Parity Debt coming due and payable during such Fiscal Year. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 218" below.

### **Limitations on Future Obligations Secured by Net Revenues**

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

*Parity Debt.* The District covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to the Installment Sale Agreement, the District shall not issue or incur any Parity Debt unless:

(i) The District is not in default under the terms of the Installment Sale Agreement;

(ii) The Net Revenues for the most recent audited Fiscal Year preceding the date of the adoption by the Board of Directors of the District of the resolution authorizing the incurrence of such Parity Debt, as evidenced by both a calculation prepared by the District and the special report prepared by an Independent Certified Public Accountant on such calculation on file with the District, shall have produced a sum equal to at least one hundred thirty per cent (130%) of the Debt Service for such Fiscal Year, and

(iii) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Project, as evidenced by an Engineer's Report on file with the District, plus (after giving effect to the completion of all uncompleted Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the rates, fees and charges estimated to be fixed and prescribed for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by such Engineer's Report on file with the District, shall produce a sum equal to at least one hundred thirty per cent (130%) of the estimated Debt Service for each of such Fiscal Years, after giving effect, in either case, to the execution of all Parity Debt estimated to be required to be executed or issued to pay the costs of completing all uncompleted Projects, assuming that all such Parity Debt have maturities, interest rates and proportionate principal repayment provisions similar to the Parity Debt that were first issued for the purpose of acquiring and constructing such uncompleted Project.

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (iii):

(A) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions, improvements or extensions which have been from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District, may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (iii).

(B) An allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such

Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(iv) Interest with respect to such Parity Debt shall be paid on the Interest Payment Dates.

(v) Principal with respect to such Parity Debt shall be paid on December 1.

The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Parity Debt have been satisfied.

*Subordinate Debt.* The District covenants that it shall not issue or incur any Subordinate Debt unless:

(i) The District is not in default under the terms of the Installment Sale Agreement;

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent twelve (12) month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Subordinate Debt is issued or incurred, plus, at the option of the District, the additional allowance described below, shall have amounted to at least 1.0 times the maximum Debt Service coming due and payable in any future Fiscal Year;

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (ii):

(A) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions, improvements or extensions which have been from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District, may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (ii).

(B) An allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(iii) Interest with respect to such Subordinate Debt shall be paid on the Interest Payment Dates; and

(iv) Principal with respect to such Subordinate Debt shall be paid on December 1.

The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Subordinate Debt have been satisfied.

*State Loans.* The District may borrow money from the State to finance improvements to the Water System, without complying with the provisions of paragraphs (iv) or (v) above, relating to the issuance of Parity Debt, and the obligation of the District to make payments to the State under the loan agreement memorializing said loan (the "State Loan") may be treated as Parity Debt for purposes of the Installment Sale Agreement; provided that the District shall not make a payment on such State Loan (except as hereinafter expressly provided) to the extent it would have the effect of causing the District to fail to pay Installment Payments on a timely basis. In the event the Water System does not produce sufficient funds to make the full Installment Payments and such State Loan, the District shall make Installment Payments and such State Loan on a pro rata basis.

### **Additional Payments**

In addition to the Installment Payments, the District shall pay, from Net Revenues, when due, all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement and the Installment Sale Agreement, including, without limitation all Delivery Costs (to the extent not paid from amounts on deposit in the Delivery Costs Fund), compensation due to the Trustee for its fees, costs and expenses incurred under the Trust Agreement and the Assignment Agreement, compensation due to the Corporation for its fees, costs and expenses incurred under the Trust Agreement and all costs and expenses of attorneys, auditors, engineers and accountants.

**Installment Payments**

Installment Payments are required to be made by the District under the Installment Sale Agreement on the fifteenth (15th) day of each May and November (each a “Due Date”). The Trust Agreement requires that Installment Payments be deposited in the Installment Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, the Trustee will apply such amounts in the Installment Payment Fund as are necessary to make principal and interest payments due with respect to the Certificates on January 1 and July 1 of each year. The following table shows the debt service requirements of the Certificates:

Year Ending December 1	Principal Component	Interest Component	Total
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TOTAL			
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**Flow of Funds**

Pursuant to the terms of the Installment Sale Agreement, on the fifteenth day of each June and December, the District is legally required to make Installment Payments to the Trustee from Net Revenues, designed to be equal to the amount necessary for the Trustee to pay the principal and interest

with respect to the Certificates due and payable on each June 1 and December 1. Pursuant to the terms of the Trust Agreement, (i) all Installment Payments received by the Trustee from the District, (ii) certain net proceeds awarded in insurance or eminent domain proceedings to the extent not used to repair or replace the Project, and (iii) any other moneys required to be deposited pursuant to the Installment Sale Agreement or the Trust Agreement, shall be deposited in the Installment Payment Fund, except to the extent required to be deposited in the Reserve Fund to remedy a deficiency therein resulting from a prior draw.

The Trustee shall promptly distribute, on each June 1 and December 1, the moneys on deposit in the Installment Payment Fund to the Owners in payment of principal and interest then due with respect to the Certificates.

If on any May 15 or November 15, the amount of the Installment Payments then due and unpaid exceeds the amount on hand in the Installment Payment Fund, the Trustee will transfer the necessary amount from the Reserve Fund, and in the event a deficiency remains in the Installment Payment Fund, the Trustee shall apply amounts transferred from the Reserve Fund, together with all other moneys on hand in the Installment Payment Fund first to the payment of interest past due with respect to all outstanding Certificates, pro rata if necessary, and second to the payment of the unpaid principal balance with respect to each Certificate which is then past due, pro rata if necessary.

Any surplus remaining in the Installment Payment Fund after redemption and payment of all Certificates, including accrued interest, if any, and payment of any applicable fees to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall then be remitted to the District.

#### **Limitations on Remedies Available to Owners of the Certificates and the Trustee**

The enforceability of the rights and remedies of the Owners of the Certificates and the Trustee, and the obligations incurred by the District, may be subject to the following: the Federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Certificates 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 since the Project serves an essential public purpose.

### **THE MID-PENINSULA WATER DISTRICT**

#### **General**

The District is a special district formed in 1929 under the County Water District Act of California. The District was incorporated in 1929 and is located in east central San Mateo County on the San Francisco Peninsula, about 30 miles south of San Francisco, in California.

In the 1930s the District contracted with the San Francisco Public Utilities Commission (“SFPUC”) to purchase water from the newly built Hetch Hetchy regional water system, eliminating local dependence on small, unreliable wells and gaining a more secure, reliable and expandable source of water supply.

### District Location and Service Area



Source: Mid-Peninsula Water District

The District supplies water to consumers in an area slightly larger than the city limits of the City of Belmont. Small portions of the service area are within the city limits of the City of San Carlos, and parts of the unincorporated County of San Mateo. The District’s service territory covers approximately five (5) square miles and currently serves approximately 27,000 people.

### Governance

A five-member Board of Directors (the “District Board”) governs the District. Each Director is elected at large within the District’s service area. The Directors serve overlapping four-year terms. The District Board annually selects a President and Vice President from among its members. The current Directors are:

*Matthew P. Zucca, President.* Mr. Zucca was first appointed to the District Board in October 2005. For more than 20 years, Mr. Zucca has been a professional engineer in the Bay Area specializing in capital

program management and a wide range of stormwater projects in California. Currently he is Principal Engineer with Erler & Kalinowski, Inc., (EKI) Consulting Engineers and Scientists. Mr. Zucca resides in Belmont. Mr. Zucca has a B.S. in Civil and Environmental Engineering, University of California, Davis, 1993 (Dual Specialization in Structural and Environmental Engineering).

*Dave Warden, Vice President.* Mr. Warden was first elected to the District Board in November 2013. Mr. Warden's career in software engineering and management has spanned some 30 years in the Bay Area. He founded a part-time software consulting firm in 1985 and launched it into a fulltime business in 1995 developing software for consumer electronics, robotics, test equipment, lasers, and medical equipment. Mr. Warden resides in Belmont. Mr. Warden has a B.A. in Computer Science, University of California, Berkeley, 1985.

*Al Stuebing.* Mr. Stuebing was first elected to the District Board in November 2009. Mr. Stuebing held the position of Director of Account Services when he retired after a 30-year career with the Pacific Gas and Electric Company. Mr. Stuebing resides in Belmont. Mr. Stuebing has a B.S. in Mechanical Engineering, University of California, Berkeley, 1975.

*Louis J. Vella.* Mr. Vella was first elected to the Board in November 1999. Mr. Vella has over 40 years of professional work experience both in the private and public sector. He retired as Administrative Chief-Fire Marshal in 2008 after serving 28 years with the City of Redwood City. Mr. Vella was appointed by the District to the Board of Directors of the Bay Area Water Supply and Conservation Agency ("BAWSCA") and has served since it was established in 2003. He also serves as a member of the BAWSCA Board Policy Committee. Mr. Vella resides in Belmont. Mr. Vella has a B.A. in Management, St. Mary's College, Moraga, 1988.

*Betty L. Linvill.* Ms. Linvill was first appointed to the District Board in July 2007. Ms. Linvill had a long career in commercial finance, working primarily for major California banking institutions. She retired at the end of March 2014 as Deputy Chief Credit Officer for East West Bank. Ms. Linvill resides in Belmont. Ms. Linvill has a MBA (Business), Alliant International University, 1989. Graduate, Commercial Banking, Pacific Coast Banking School at the University of Washington, 1979.

All of the Directors are locally active in the community and serve on Boards and as volunteers for numerous civic and non-profit organizations.

## **Management**

The District Board appoints a General Manager, Board Secretary, District Counsel, District Engineer, and District Treasurer. The General Manager oversees the day-to-day operations and activities of the District and reports to the Board. The current District management and officers are:

*Tammy Rudock, General Manager.* Ms. Rudock joined the District as a contract manager in September 2012. She was appointed by the District Board as General Manager in December 2012. Ms. Rudock is responsible for managing the day-to-day operations and activities of the District. Her professional career spans 25 years dedicated to public service, including water and wastewater operations, public works operations, airports administration, and parks and recreation operations, including open space preservation, in California and Louisiana. Ms. Rudock has a J.D., Concord Law School, Los Angeles, 2005. MBA (Management Specialty), Louisiana Tech University, 1993. B.A. in General Studies (Major in Business Administration), Louisiana Tech University 1990.



*Candy Pina, Administrative Services Manager/Board Secretary.* Mrs. Pina joined the District as a contract manager in June 2012. She was appointed by the General Manager as Administrative Services Manager in December 2012. Mrs. Pina has worked for more than 30 years in the Bay Area primarily as a financial controller for private companies and start-ups. She is responsible for the District's financial, accounting, customer service, and human resources functions. Mrs. Pina has a B.S. in Accounting, San Jose State University, 1995.

*Rene Ramirez, Operations Manager.* Mr. Ramirez was appointed by the General Manager as Operations Manager in June 2015. He has almost 30 years of service in the public utility field. During his career, Mr. Ramirez has been responsible as the department head in cities large and small for water distribution infrastructure and water treatment facilities, wastewater collection infrastructure and wastewater treatment facilities, solid waste and diversion programs, and a natural gas distribution system. Mr. Ramirez has a B.S. in Agricultural/Bio Resource Engineering, Cal Poly, San Luis Obispo, 1984.

## **Employees**

The District's staff consists of 18 full-time employees all of whom are at-will. A letter agreement dated October 23, 2014, exists between the District and the District Employees Association (15 members; non-exempt employees). It expires on September 25, 2018.

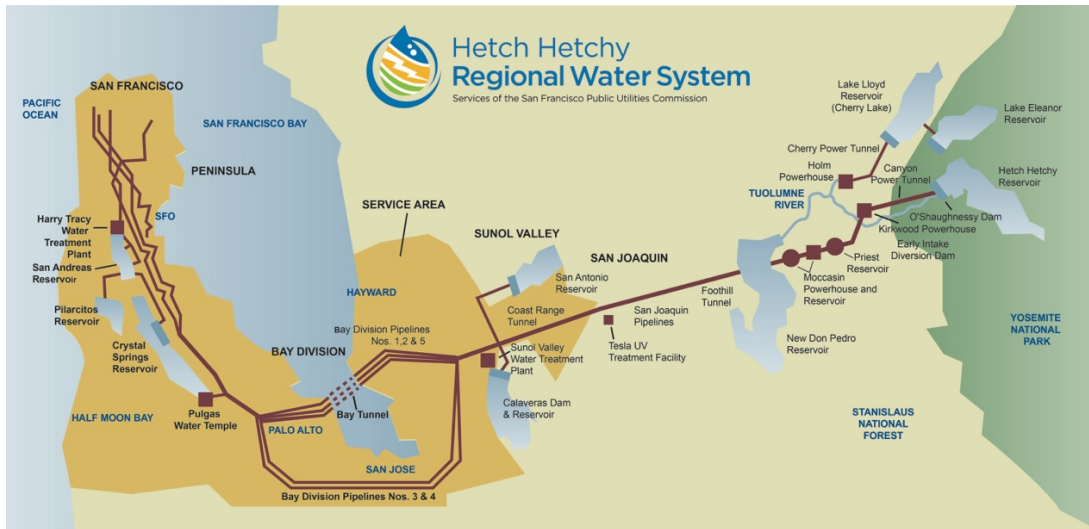
## **WATER SYSTEM**

### **Water Rights**

*District Water Supply.* The District purchases 100% of its water from the SFPUC Regional Water System ("SFPUC RWS"), making the District dependent on SFPUC's supply reliability. The SFPUC RWS is predominantly from the Sierra Nevada, delivered through the Hetch Hetchy aqueducts, but it also includes treated water produced by the SFPUC from its local watersheds and facilities in Alameda and San Mateo Counties.

The SFPUC RWS is a 167-mile, gravity-driven network of dams, reservoirs, tunnels, pump stations, aqueducts, and pipelines that collects Tuolumne River runoff on federal land near the Yosemite Valley and transports it to the San Francisco Bay Area.

### **SFPUC REGIONAL WATER SYSTEM MAP**

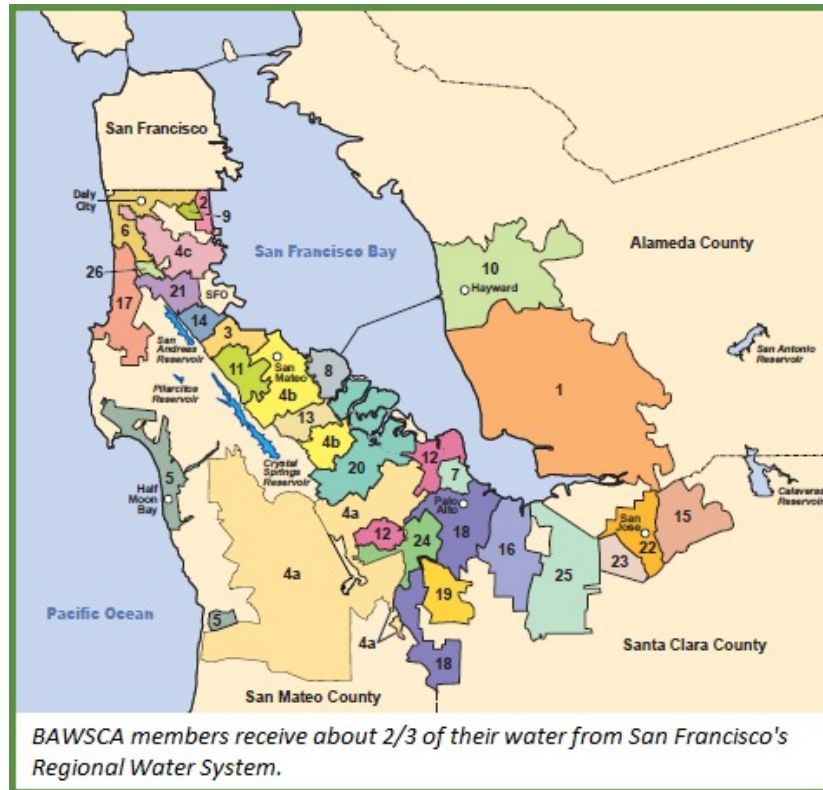


Source: SFPUC

Water from the SFPUC RWS is treated before delivery and supplied to the District from two connections: Bay Division Pipelines 1 and 2, and the Crystal Springs Bypass Tunnel. The SFPUC water is delivered to the District in two ways: 1) via a 20-inch water transmission pipeline that is connected to the SFPUC system in Redwood City; and 2) via a 24-inch pipeline connected to a pump station on the SFPUC watershed property near the Pulgas Water Temple.

*Regional Water Reliability Planning.* The District is a member of the Bay Area Water Supply and Conservation Agency (“BAWSCA”) that provides regional water reliability planning and conservation programming for the benefit of its member agencies that purchase wholesale water supplies from the SFPUC. BAWSCA was created on May 27, 2003, enabled by a special act of the California Legislature, to represent the interests of 16 cities, 8 water districts, and 2 private water providers on all significant technical, financial, and policy matters related to the operation and improvement of the SFPUC RWS. BAWSCA members are located in Alameda, Santa Clara, and San Mateo Counties.

**BAWSCA MEMBER AGENCIES MAP**



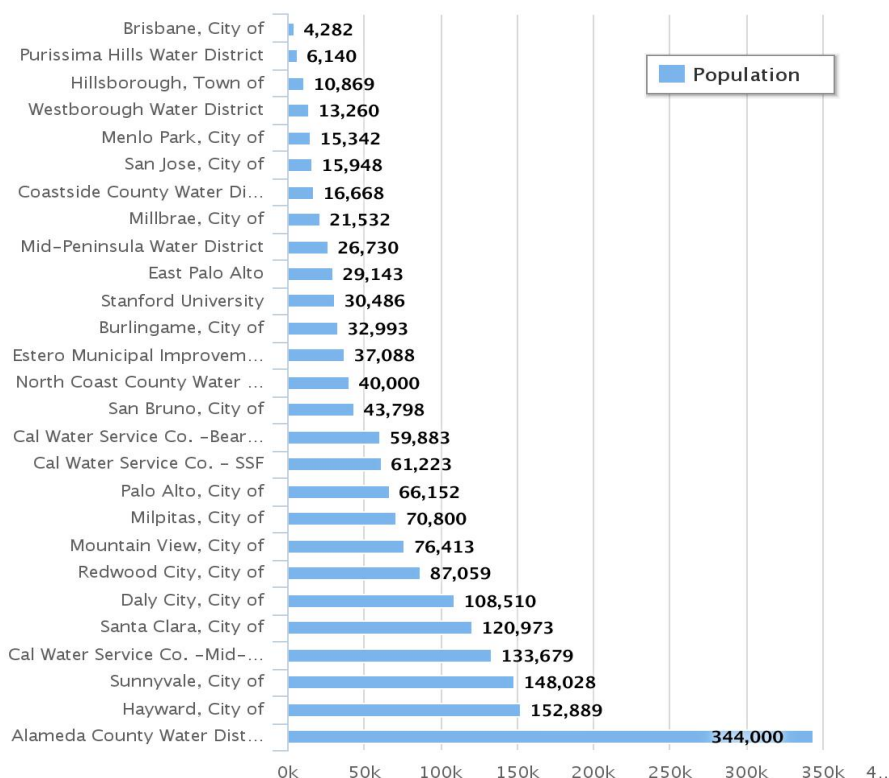
Source: BAWSCA

Note: The District is the highlighted area #13 in the above BAWSCA map.

Collectively, the BAWSCA member agencies deliver water to over 1.74 million residents and nearly 40,000 commercial, industrial, and institutional accounts in the Bay Area.

## Member Agency Population

Source: 2014–2015 BAWSCA Annual Survey



Source: BAWSCA

*The District’s Individual Supply Guarantee.* The SFPUC has a perpetual commitment (Supply Assurance) to deliver 184 mgd to the permanent wholesale customers (collectively the BAWSCA member agencies referred to as the “wholesale customers”). The Supply Assurance is allocated among the 24 permanent wholesale customer through Individual Supply Guarantees (“ISGs”), which represent each wholesale customer’s allocation of the 184 mgd Supply Assurance. The District’s ISG allocation from the SFPUC is 3.891 mgd (1,420.22 MG per year).

*2018 Interim Supply Limitation.* On December 14, 2010, the SFPUC adopted a water supply limitation, the Interim Supply Limitation (“ISL”), which limits sales from the SFPUC RWS watersheds to an average annual of 265 mgd through December 31, 2018. All 26 wholesale customers and San Francisco are subject to the ISL. The wholesale customers’ collective allocation under the ISL is 184 mgd and San Francisco’s is 81 mgd. Although the wholesale customers did not agree to the ISL, the Water Supply Agreement provides a framework for administering the ISL. Each BAWSCA member agency’s ISL is lower than its perpetual commitment (Supply Assurance) from the SFPUC through December 31, 2018. The District’s ISL is 3.71 mgd (1,354.15 MG per year) compared with its Supply Assurance from the SFPUC of 3.891 mgd (1,420.22 MG per year).

## Water System Facilities

The District operates and maintains a complex distribution system that includes: 9 pressure zones, 20 pumps, 13 water regulating valves, 813 fire hydrants, and 11 water storage tanks ranging in size from 110,000 gallons to 2,300,000 gallons, all made of steel, for an overall storage capacity of 13,600,000 gallons.

Most of the storage tanks within the District have been rebuilt, recoated, or seismically retrofitted within the past 15 years with the exceptions of Dekoven and Hallmark Tanks. A list of all the District's storage tanks and their respective capacities is below.

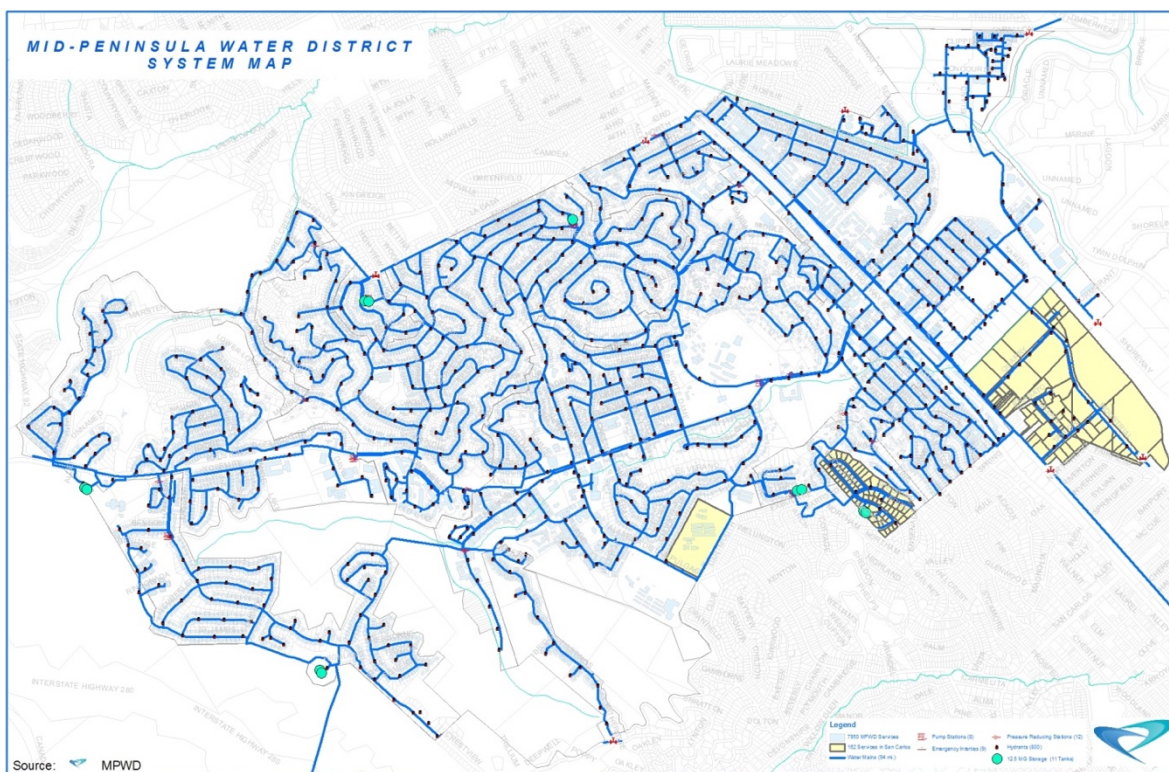
### DISTRICT STORAGE TANKS

<u>Tank</u>	<u>Pressure Zone</u>	<u>Total Capacity (GAL)</u>
Hersom	2	1,620,000
Exbourne #1	2	1,020,000
Exbourne #2	2	1,500,000
Dekoven #1	3	760,000
Dekoven #2	3	1,020,000
Buckland #1	5	110,000
Buckland #2	5	110,000
West Belmont #1	7	770,000
West Belmont #2	7	770,000
Hallmark #1	8	2,300,000
Hallmark #2	8	2,300,000
		<hr/> 13,600,000

Source: Mid-Peninsula Water District

In addition to the facilities listed above, the District operates a total of 493,492 feet (93 miles) of water main ranging in size between 4-inch and 24-inch in a variety of material types including cast iron (CIP), asbestos cement (ACP), ductile iron (DIP), polyvinylchloride (PVC), concrete (CCP) and steel (STL). The average age of the water mains throughout the system is approximately 47 years old with an average install date of 1969.

## DISTRICT SYSTEM MAP



Source: Mid-Peninsula Water District

The District has the ability to transfer water between pressure zones either in a pump-up or flow-down mode, and there is redundancy built into the District’s system so that it can, if necessary, supply all customers from either one of the SFPUC connections.

The District started implementing Automated Metering Infrastructure (AMI) technology in 2012. The AMI technology has many benefits, especially for tracking water use or misuse in near “real time.” Approximately 50% or 4,000 AMI meters were in place at the end of 2015.

### District Service Area

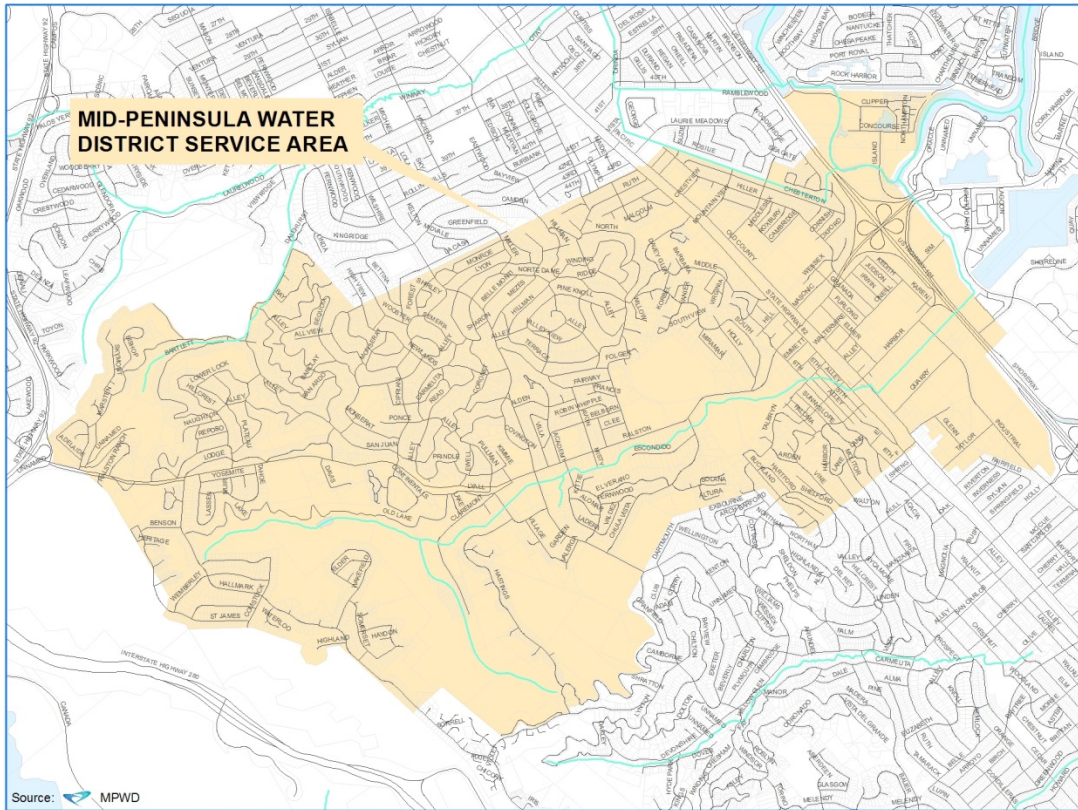
The District service area comprises approximately 5 square in an area slightly larger than the city limits of the City of Belmont. Small portions of the District’s service area are within the city limits of the City of San Carlos, and parts of the unincorporated County of San Mateo.

The population served by the District in 2015 was approximately 27,000. The District currently has 8,047 total service connections and that include all of the City of Belmont (7,842 connections, 7,082 residential, 721 commercial, and 39 industrial), portions of the City of San Carlos (145 connections, 72 commercial, 73 residential) and portions of unincorporated San Mateo County (60 connections, 46 commercial, 13 industrial, and 1 residential).



A map of the District's service area is below.

### DISTRICT SERVICE AREA BOUNDARIES



Source: Mid-Peninsula Water District

## Largest Customers

The table below lists the District’s ten (10) largest customers for FY 2015-16. The District has adopted a policy of confidentiality with respect to account information on individual water use; however, the ten largest customers shown below collectively accounted for approximately 7.8% of revenue from water sales. Sales from no one customer exceeds 1.4% of total water sales revenue.

### 10 Largest District Customers

<u>Customer</u>	<u>Type of Business</u>
Accor Economy Lodging	Motel
The Belmont Homeowners	Multi-family apartments (Davey Glen Road)
Notre Dame	School
McClellan Estate Company	Multi-family apartments (Old County Road)
Novartis	Pharmaceutical manufacturing
Sequoia High School District	School
McClellan Estate Company	Multi-family apartments (Crestview Avenue)
McClellan Estate Company	Multi-family apartments (Crestview Avenue)
Lesley Terra c/o Lesley Senior	Assisted living
Silverado Senior Living	Assisted living

Source: Mid-Peninsula Water District

## Water Rates and Charges

The District relies primarily on revenues from water service charges to fund its costs of providing water service. As such, water rates must be set at levels adequate to fund the costs of operating and maintaining the water system, pay for wholesale water supplied by the SFPUC, and fund necessary capital investments to keep the water system in good operating condition.

The District has the power and authority under California law to establish rates and charges for service without the review or approval of any other government body. The District’s rates and charges are established by ordinance of the District Board. The District has the right to refuse or terminate water service to delinquent customers and to required full payment of delinquent amounts and reconnection charges to resume service.

The District uses a tiered rate structure that includes a fixed system charge for all users and tiered water rates based on the volume of water used. The District has four tiers of residential use and two tiers of commercial use based on the District’s cost-of-service analysis, including water cost recovery calculations attributable to each tier, with water first billed in Tier 1 and subsequently billed in higher tiers as water use increases. Water Consumption Charges are billed per hundred cubic feet (hcf), with 1 hcf equal to approximately 748 gallons of water.

The District’s service charges were reviewed by the District’ and its financial consultant, Bartle Wells Associates in 2015. The District developed its 5-year water rates plan, transmitted its rate increase notice to all customers, and successfully conducted the required Proposition 218 public hearing on June 25, 2015. The 5-year rate plan adopted by the District Board is included in the following table and will phase in a series of water rate increases.



**5-YEAR WATER RATES PLAN**

<b>Proposed Water Rates</b>							
<b>Current Rates</b>	<b>Effective on water bills sent on or after:</b>						
	<b>July 1 2015</b>	<b>July 1 2016</b>	<b>July 1 2017</b>	<b>July 1 2018</b>	<b>July 1 2019</b>		
<b>FIXED MONTHLY CHARGES</b>							
<i>Fixed monthly charge based on meter size</i>							
<u>Meter Size</u>							
5/8-inch	\$18.43	\$22.00	\$24.00	\$26.00	\$28.00	\$30.00	
1-inch	27.65	33.00	36.00	39.00	42.00	45.00	
1 1/2-inch	46.08	55.00	60.00	65.00	70.00	75.00	
2-inch	73.73	88.00	96.00	104.00	112.00	120.00	
3-inch	110.59	132.00	144.00	156.00	168.00	180.00	
4-inch	184.31	220.00	240.00	260.00	280.00	300.00	
6-inch	460.79	550.00	600.00	650.00	700.00	750.00	
<b>WATER CONSUMPTION CHARGES</b>							
<i>Billed based on monthly metered water use (\$/hcf)*</i>							
<b>Single Family Residential Customers</b>							
<u>Water Usage Billed in Tier</u>							
Tier 1	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf	
Tier 2	3 - 10 hcf	3 - 9 hcf	3 - 8 hcf	3 - 8 hcf	3 - 8 hcf	3 - 8 hcf	
Tier 3	11 - 25 hcf	10 - 22 hcf	9 - 20 hcf	9 - 20 hcf	9 - 20 hcf	9 - 20 hcf	
Tier 4	Over 25 hcf	Over 22 hcf	Over 20 hcf	Over 20 hcf	Over 20 hcf	Over 20 hcf	
<u>Water Consumption Charge per Tier</u>							
Tier 1	\$4.20	\$5.00	\$5.30	\$5.60	\$5.90	\$6.25	
Tier 2	6.46	7.50	7.90	8.30	8.65	9.00	
Tier 3	7.75	9.00	9.50	10.00	10.50	11.00	
Tier 4	9.04	10.50	11.10	11.70	12.35	13.00	
<b>All Other Customers</b>							
Tier 1	0 - 5 hcf	\$5.81	\$7.00	\$7.25	\$7.50	\$7.75	\$8.00
Tier 2	Over 5 hcf	6.78	8.00	8.35	8.70	9.10	9.50

\* 1 hcf = one hundred cubic feet or approximately 748 gallons.

Source: Mid-Peninsula Water District

Besides its schedule of tiered water commodity rates and monthly fixed system charges, the District's 5-year Rates Plan included two additional important provisions: 1) Direct pass-through of SFPUC rate increases over and above its projections; and 2) Water Shortage Emergency Rates, in order to help the District recover its costs of service and remain financially stable during periods of emergency water shortages and reduced water sales.

*Pass Through of SFPUC Rate Increases.* The adopted 5-year rate plan assume that the SFPUC will increase its wholesale water rates on July 1 each year from the current level of \$2.93 per hcf to \$3.75 per hcf in 2015, \$3.78 per hcf in 2016, \$3.79 per hcf in 2017, \$4.31 per hcf in 2018, and \$4.72 per hcf in 2019. Pursuant to California Government Code 53756, the District is proposing to pass-through any additional increases in SFPUC wholesale water rates above these projected SFPUC rates. Future pass-throughs will be implemented by increasing the District's proposed Water Consumption Charges by exact amount of the increase in cents per hcf in excess of the assumed SFPUC wholesale rates.

For example, if the SFPUC raises its wholesale water rate to \$4.51 per hcf on July 1, 2018, the District would be authorized to increase its Water Consumption Charges by an additional \$0.20 per hcf on or after July 1, 2018. Prior to initiating a pass-through for SFPUC wholesale rates, the District will send notification to all customers at least 30 days prior to implementation.

*Water Shortage Emergency Rates.* In order to help the District recover its costs of service and remain financially stable during periods of emergency water shortages and reduced water sales, the District may authorize the implementation of Water Shortage Emergency Rates. These emergency rates would be implemented in response to escalating drought conditions and water supply shortages, or in response to additional State-mandated cutbacks in water use in excess of 20%, and would replace the District’s regular Water Consumption Charges. Water Shortage Emergency Rates may be implemented upon declaration of a water shortage emergency pursuant to Water Code Section 350 and/or Water Code Section 31026. Prior to initiating Water Shortage Emergency Rates, the District will send notification to all customers at least 30 days prior to implementation.

The proposed Water Shortage Emergency Rates may be implemented by authorization of the District Board up to the maximum levels shown on the table below, which correspond with a 50% cutback in water demand from usage in 2013. *(No changes are proposed to Single Family Residential Tier 1 for the Water Shortage Emergency Rates.)*

**WATER SHORTAGE EMERGENCY RATES**

<b>Proposed Maximum Water Shortage Emergency Rates</b>					
<b>Maximum rates effective on or after:</b>					
	<b>July 1 2015</b>	<b>July 1 2016</b>	<b>July 1 2017</b>	<b>July 1 2018</b>	<b>July 1 2019</b>
<b>WATER SHORTAGE EMERGENCY RATES (CONSUMPTION CHARGES)</b>					
<i>Billed based on monthly metered water use (\$/hcf)*</i>					
<u>Single Family Residential Rate Tiers</u>					
Tier 1	\$5.00	\$5.30	\$5.60	\$5.90	\$6.25
Tier 2	9.90	10.57	11.15	11.72	12.14
Tier 3	11.88	12.71	13.43	14.23	14.83
Tier 4	13.86	14.85	15.72	16.74	17.53
<u>All Other Rate Tiers</u>					
Tier 1	\$9.24	\$9.70	\$10.07	\$10.50	\$10.79
Tier 2	10.56	11.17	11.69	12.33	12.81

\* 1 hcf = one hundred cubic feet or approximately 748 gallons.

*Based on same levels of water use per tier as shown in Proposed Water Rates table.*

Source: Mid-Peninsula Water District

*History of Rates in the District.* A summary review of the rate increases adopted by the District Board for the past six (6) fiscal years is as follows:

**DISTRICT HISTORICAL PERCENTAGE RATE INCREASES**

<u>Fiscal Year</u>	<u>Percentage Increase</u>
2010-11	9%
2011-12	9
2012-13	9
2013-14	9
2014-15	9
2015-16	18

Source: Mid-Peninsula Water District

*Capacity Charge Update and Connection Fees.* On March 26, 2015, the District Board adopted changes to the District’s water system capacity charge and added a water demand offset fee for any new residential and non-residential customers to recover a proportionate share of costs for existing and future water system facilities and assets from new or expanded connections to the District’s water system to enable the District to continue its operations and services at the same level and quality and continue its critical capital improvement program to replace aged infrastructure and expand the infrastructure, as necessary, to sustain operations and service to the customer base.

Summary tables showing the District’s water system capacity charges and water demand offset fees are below.

## DISTRICT CAPACITY CHARGES

WATER SYSTEM CAPACITY CHARGES			
<b>RESIDENTIAL</b>			
<i>Charge applies per residential dwelling unit</i>			
	<u>Water Demand<sup>1,2</sup></u>		<u>Capacity Charge</u>
	-	-	-
<b>Single Family Detached Dwelling Unit</b>	200 gpd		\$9,375
<i>Charge applies to residential dwelling units served by meters up to 1-inch</i>			
<b>Multi-Family Dwelling Unit</b>	120 gpd		\$5,625
<i>Includes: apartments, townhouses, condominiums, and other developments with multiple residential units and separate irrigation meters as designated by the District</i>			
<b>OTHER CONNECTIONS</b>			
<i>Charge applies based on meter size</i>			
	-	-	-
<u>Meter Size</u>	<u>Meter Capacity Ratio<sup>3</sup></u>	<u>Water Demand<sup>4</sup></u>	<u>Capacity Charge</u>
Up to 3/4"	1.00	200 gpd	\$9,375
1"	1.67	333 gpd	15,625
1-1/2"	3.33	667 gpd	31,250
2"	5.33	1,067 gpd	50,000
3"	10.00	2,000 gpd	93,750
4"	16.67	3,333 gpd	156,250
6"	33.33	6,667 gpd	312,500
8"	53.33	10,667 gpd	500,000
<p>1 Single family residential demand based on average water use in 2013/14 reduced to account for 10% additional conservation.</p> <p>2 Multi-family demand estimated at 60% of single family detached water demand accounting for minimal to no outdoor irrigation and reduced average occupancy per dwelling unit.</p> <p>3 Based on standard American Water Works Association meter capacities.</p> <p>4 Demand conservatively estimated based on 200 gpd multiplied by meter capacity ratio.</p>			

Source: Mid-Peninsula Water District

## DISTRICT DEMAND OFFSET CHARGES

WATER DEMAND OFFSET CHARGES				
	UWMP Water Shortage Response Stages			
	Stage 1	Stage 2	Stage 3	Stage 4
Water Supply Reduction	Up to 11%	12% - 18%	19% - 32%	33% - 50%
Required Water Demand Offset	25%	50%	75%	100%
<b>RESIDENTIAL</b>				
<i>Charge applies per residential dwelling unit</i>				
<b>Single Family Detached Dwelling Unit</b>				
	\$633	\$1,217	\$1,800	\$2,383
<i>Applies to residential dwelling units served by meters up to 1-inch.</i>				
<b>Multi-Family Dwelling Unit</b>				
	\$380	\$730	\$1,080	\$1,430
<i>Includes: apartments, townhouses, condominiums, and other developments with multiple residential units and separate irrigation meters as designated by the District</i>				
<b>OTHER CONNECTIONS</b>				
<i>Charge based on meter size</i>				
<u>Meter Size</u>				
Up to 3/4"	\$633	\$1,217	\$1,800	\$2,383
1"	1,055	2,028	3,000	3,972
1-1/2"	2,110	4,057	6,000	7,943
2"	3,376	6,491	9,600	12,709
3"	6,330	12,170	18,000	23,830
4"	10,550	20,283	30,000	39,717
6"	21,100	40,567	60,000	79,433
8"	33,760	64,907	96,000	127,093

Source: Mid-Peninsula Water District

*Sample Bill Calculation for a Typical Single Family Home.* Effective July 1, 2015, the monthly bill for a typical single family home with a standard 5/8-inch water meter using 8 hcf of water per month (approximately 200 gallons per day) would be calculated as follows:

### SAMPLE BILL

Fixed Monthly Charge	Water Consumption Charges			Total Monthly Bill
<u>5/8" Meter</u>	<u>First 2 hcf x \$5.00</u>	<u>Next 6 hcf x \$7.50</u>	<u>Subtotal</u>	<u>\$22.00 + \$55.00</u>
\$22.00	\$10.00	\$45.00	\$55.00	\$77.00

Source: Mid-Peninsula Water District

*Comparative Rates.* The following table shows annual single family residential water charges, based on an average 9 ccf monthly water use and meter size (5/8" or 3/4"), within the San Francisco Bay area (as of January 2015):

<b>COMPARATIVE RATES</b>	
Water Supplier	Annual Water Charges
Hillsborough	\$1,371.12
Montara Water Service District	1,198.80
San Bruno	1,051.20
Burlingame	1,015.56
Coastside County Water District (Half Moon Bay)	988.44
<b>Mid-Peninsula Water District</b>	<b>864.60</b>
Brisbane	862.08
Palo Alto	808.20
Millbrae	768.60
North Coast County Water District (Pacifica)	743.76
Redwood City	735.12
East Pal Alto	729.84
Mountain View	634.32
California Water (San Carlos/San Mateo)	610.80
Foster City	500.76
Daly City	410.88

Source: Bartle Wells Associates, District Water Financial Plan & Rate Study dated May 26, 2015.

## **Water Sales**

*Billing.* The District mails billing statements to its customers on a monthly basis, and reminder bills are mailed out if the bill is not timely paid within 20 days. Shut-off procedures are utilized when a customer becomes delinquent in accordance with the District's ordinances.

*Water Use.* The table below summarizes metered water consumption by customer source and customer class for Fiscal Years 2011-12 through 2015-16, including per capita use. Unaccounted for or non-revenue water uses included firefighting, District use for line flushing and tank cleaning, water main leaks/breaks, and other system losses.

### DISTRICT WATER SOURCES AND USES

<b>SUPPLY BY SOURCE (ccf)</b>					
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
	<b>FY 11-12</b>	<b>FY 12-13</b>	<b>FY 13-14</b>	<b>FY 14-15</b>	<b>FY 15-16</b>
San Francisco Water	1,437,360	1,453,047	1,408,109	1,209,300	1,076,654
Local Groundwater	-	-	-	-	-
Surface Water	-	-	-	-	-
Recycled Water	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>1,437,360</b>	<b>1,453,047</b>	<b>1,408,109</b>	<b>1,209,300</b>	<b>1,076,654</b>
mgd equivalent	2.95	2.98	2.89	2.48	2.21

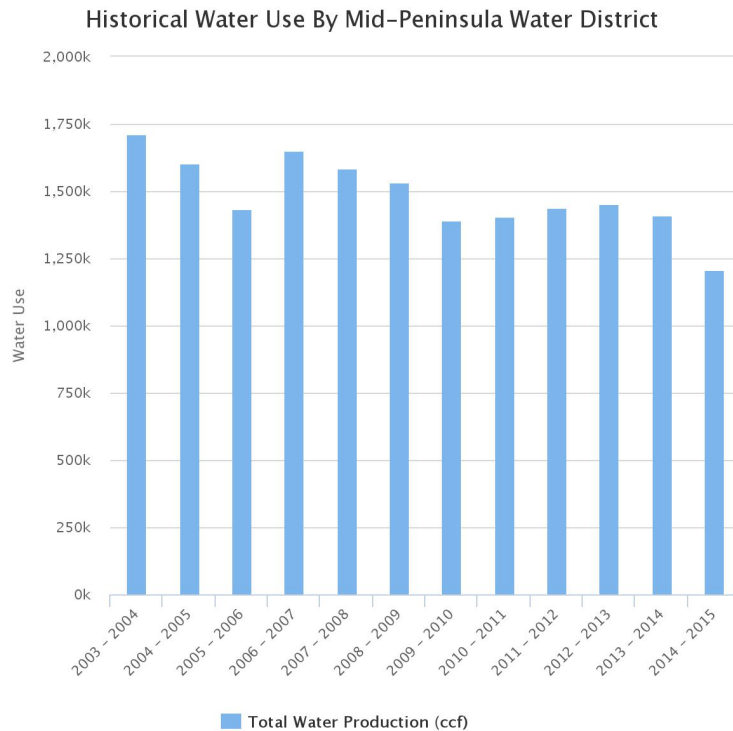
<b>DEMAND BY SECTOR (ccf)</b>					
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
	<b>FY 11-12</b>	<b>FY 12-13</b>	<b>FY 13-14</b>	<b>FY 14-15</b>	<b>FY 15-16</b>
Residential	1,016,212	1,004,087	993,343	834,024	732,057
Commercial/Industrial	182,696	259,889	258,172	234,417	219,557
Other	70,228	86,613	83,953	71,882	64,982
Unaccounted for (Non-revenue)	168,224 -11.7%	102,458 -7.1%	72,641 -5.2%	68,977 -5.7%	60,058 -5.6%
<b>Total</b>	<b>1,437,360</b>	<b>1,453,047</b>	<b>1,408,109</b>	<b>1,209,300</b>	<b>1,076,654</b>
mgd equivalent	2.95	2.98	2.89	2.48	2.21

<b>PER CAPITA USE (gpcpd)</b>					
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
	<b>FY 11-12</b>	<b>FY 12-13</b>	<b>FY 13-14</b>	<b>FY 14-15</b>	<b>FY 15-16</b>
Residential	79	78	77	64	57
Gross	112	113	110	93	85

Source: Mid-Peninsula Water District

*Per Capita Use.* District gross per capita demand in non-drought years is consistent at 112 and 113 gallons per capital per day (gpcpd). It dropped in drought years to 110 gpcpd in FY 2013-14 and lower to 85 gpcpd in FY 2015-16. The 85 gpcpd obtained in 2015-16 was lower than the 2015 interim target of 126 gpcpd in compliance with the District’s SBX7-7 water use target. The District’s 2020 target is 121 gpcpd and based upon continued water conservation efforts, the District believes its customers will use less on a per capita basis than the target.

*Historical Water Use.* The table below shows historical water use by the District from FY 2003-04 through FY 2014-15.



Source: BAWSCA

### **Drought Management and Contingency Planning**

*Overview.* The District’s 2015 Urban Water Management Plan was adopted on June 23, 2016, together with the District’s Water Shortage Contingency Plan (“WSCP”). The District’s WSCP is the result of a strategic planning process to prepare for and respond to water shortages in order to maintain reliable supplies and reduce the impacts of supply interruption.

The District’s WSCP is applicable to a range of temporary, short- and long-term emergency conditions when the supply volume or system delivery capability is impaired, including but not limited to: a main break or other distribution system failure, a RWS water treatment plant failure, a natural disaster (flood, earthquake, wind damage, etc.), a fire, water quality issue with supply reservoirs or system contamination; and/or drought conditions.

The District engages in an array of water conservation programs including Lawn-Be-Gone, HET (High Energy Toilet), Rain Barrel, and High Efficiency Clothes Washing Machine rebate programs, school conservation programs, and landscape audit programs. The District used public service announcements and messaging, monthly conservation reporting, its newsletters, website updates, a local newspaper advertising campaign, bill stuffers, and participation in community events to provide public information and education about water conservation, and it proved to be successful.



*Water Savings in 2015-16.* The General Manager reports monthly on water conservation progress within the District. June 1, 2015 was the start of the measurement period for the 2015-16 statewide water conservation goals. The District’s conservation goal was 20% when compared to 2013 water consumption, and the District’s cumulative water savings exceeded that goal. The following table reflects the water savings in 2015-16 relative to 2013 levels:

**DISTRICT WATER SAVINGS IN 2015-16  
(RELATIVE TO 2013)**

2015-16 Month	2015-16 Units	2013 Units	Percentage Change from 2013	Cumulative Water Savings	2015-16 R-GPCD	2013 R-GPCD
June, 2015	103,863	150,614	-31.0%	-31.0%	82.3	122.6
July	105,639	156,081	-32.3	-31.7	81.1	122.9
August	106,832	155,788	-31.4	-31.6	82.0	122.7
September	105,459	145,551	-27.5	-30.6	83.6	118.5
October	98,345	122,117	-19.5	-28.3	75.5	96.2
November	77,733	106,535	-27.0	-28.1	61.6	86.7
December	70,423	94,062	-25.1	-27.7	54.0	74.1
January, 2016	69,741	84,202	-17.2	-26.4	53.5	66.3
February	71,345	86,478	-17.5	-25.4	58.5	75.4
March	71,219	106,663	-33.2	-26.2	54.6	84.0
April	82,916	120,265	-31.1	-26.6	65.7	87.9
May	101,955	155,736	-34.5	-27.3	78.2	122.7

Source: Mid-Peninsula Water District

*2016 Statewide Water Conservation Regulations.* The SWRCB adopted a statewide water conservation approach that replaces the percentage reduction-based standard with a localized “stress test” benchmark. Urban water suppliers were mandated to locally develop conservation standards based upon each agency’s specific circumstances. The new statewide standards required local water agencies to ensure a 3-year supply assuming three more dry years like the ones recently experienced from 2012 to 2015. Water suppliers that would face shortages under three additional dry years would be required to meet a conservation target equal to the amount of the shortage. For example, if a water supplier’s projections include a 10% supply shortfall, its mandatory conservation standard would be 10% (compared with 2013 consumption).

The SFPUC’s *Self-Certification of Supply Reliability for Three Additional Years of Drought and Update to Final Water Supply Availability Estimate* dated June 9, 2016 was submitted to the State before the June 15<sup>th</sup> deadline. The SFPUC’s 3-year look ahead is good for the RWS supply and a 10% voluntary reduction (compared with 2013 consumption) was requested.

The SFPUC used actual CY2013 and CY2014 demand for each of its wholesale customers, and then averaged the two calendar years for its projected supply for each customer under the SWRCB’s proposed 3-year drought methodology. For the District, the projected supply is 1,038.8 MG (1.4 million units) for each of the water years 2017, 2018, and 2019. For comparison in units, the Districts demand for the past three years was 1.1 million in 2015, 1.3 million in 2014 and 1.5 million in 2013.

The District's self-certification was submitted to the State on June 20, 2016, and reflected the need for a 0% conservation target. However, the District reported it will request a 10% voluntary reduction as was requested by SFPUC for FY 2016-17.

The SWRCB regulations further required continued monthly conservation reporting by urban water suppliers. Prohibitions against certain water uses were also extended.

The new water conservation standards took effect in June 2016 and remain in effect until the end of January 2017.

*Water Conservation.* The District does not have a recycled water supply or the funding and infrastructure to deliver it. The District does not engage in wastewater collection, treatment, or disposal. The Silicon Valley Clean Water facility where District service area's wastewater is treated is limited to supplying recycled water for use in Redwood City.

### **Capital Improvement Program**

The District's current capital improvement program was approved by the District Board on May 26, 2016. The District's capital improvement program includes a total of 93 capital projects totaling approximately \$52 million (in 2015 dollars) that fall into several work categories including:

- Abandoning cross country water mains,
- Eliminating parallel water mains,
- Eliminating dead ends by creating loops,
- Eliminating lengthy water mains serving only one or two connections,
- Eliminating all 4-inch water mains (undersized),
- Replacing aging pipes prone to leaks or expected to leak,
- Increasing fire flows by adding fire hydrants,
- Tank structural analyses,
- Adding system redundancy,
- Increasing water main size where capacity is needed.

Below is a list of the significant capital projects estimated at \$1 million and higher and identified within the District's most recent capital improvement program:

*El Camino Real Water Main Replacement - \$2.1 million.* El Camino Real is located in the western portion of Zone 1 and spans the entire length of the zone for approximately 8,400 LF (lineal feet). The existing water mains along the road consist of 100 LF of 8" asbestos cement (AC), 1,700 LF of 8" ductile iron pipe (DIP), 3,800 LF of cast iron pipe (CIP), and 1,300 LF of polyvinylchloride (PVC) for a total of 6,900 LF. Several leaks have occurred along the alignment primarily within the CIP section, which was installed in 1950. All other pipe was installed in the 1990s. This project replaces the 3,800 LF of CIP with 8" DIP and installation of 300 LF of new 8" DIP. Also included for replacement are 8 fire hydrants, 4 fire services, and 23 service connections.

*Old County Road Water Main Replacement - \$3.4 million.* Old County Road spans the entire length of Zone 1 and has approximately 5,000 LF of various 4", 6", and 8" CIP and AC water mains installed in the 1930s/1940s located on the east side of the road. In addition, approximately 3,100 LF of 10" and 12" PVC and polyethylene (PE) water mains in steel casings were installed in the late 1980s and parallel the

CIP and AC on the left side of the road. Hydraulic analysis indicates the larger parallel water mains (10"-12") provide no significant fire flow benefit to the zone. This project abandons 6,475 LF of various sized parallel water main and replaces all of the 6"-8" CIP/AC with 8" PVC (3,700 LF) and 1,800 LF of 20" CC with 20" PVC from Bragato Road to Marine View Avenue. Also included for replacement are 11 fire hydrant assemblies, 111 service connections, and 15 fire service connections.

*State Route 101 Water Main Crossing at Palo Alto Medical Foundation Hospital - \$1.7 million.* Two State Route 101 (SR 101) water main crossings exist in Zone 1, including a 500 LF 12" AC crossing between Karen Road and Sem Lane, and another 12" PVC crossing a half mile to the north. The 12" AC was installed in 1963 in a 36" steel casing. As part of the Palo Alto Medical Foundation (PAMF) Hospital development agreement with the District at the south end of Zone 1, the District obtained a 15' easement along the northeast side of the PAMF property and a 40' x 40' area in the northeast corner to serve as a staging area for an alternate SR 101 crossing. This project abandons the aging 12" AC crossing and relocates it to the PAMF easement with a new 1,100 LF 12" PVC water main. To loop the water main back to the existing water main on Shoreway Road requires the installation of an additional 1,200 LF 8" PVC. Two fire hydrant assemblies, a new intertie, and cathodic protection of all metallic fittings/materials will also be installed.

*Dekoven Tanks Replacement - \$3.5 million.* The Dekoven Tanks were constructed in 1952 and are a critical element of the Zone 3 water distribution system. The existing tanks are 52 and 60 feet in diameter, approximately 48 feet tall and have capacities of 720,000 gallons and 1 million gallons, respectively. A recent structural analysis determined the maximum capacity level in the tanks should be reduced to 22 feet (from the current 30 feet) to withstand seismic events. This is not operationally feasible during high summer demands. The coatings on each tank are also failing. The project will replace the existing 0.7 MG and 1.0 MG tanks with two 0.8 MG tanks.

*West Belmont Tanks Water Main Improvements - \$1.4 million.* The West Belmont Tank site located behind 2900 Belmont Canyon Road has two 645,000 gallon tanks fed by two cross county water mains—an 8" DIP to the west, and an 8" CIP to the east. It is the sole source of storage for Zone 7. These water mains were installed in the late 1950s and early 1960s. The project abandons 1,130 LF of cross country water mains at the tank site, increases 2,400 LF of 8" DIP/CIP to 12" DIP, replaces 1,400 LF of aging 8" DIP/CIP with new 8" DIP, replaces 2 fire hydrant assemblies, and 2 service connections.

*Complete AMI Installation - \$2 million.* The District meters all of its customers and it is in the process of completing AMI (Automated Metering Infrastructure) installations. Currently, the District has approximately 4,000 AMI meters (approximately 50%) in place. This project would replace the remaining 50% of the manual read meters with AMI meters.

*SCADA System Replacement/Rehabilitation - \$1.5 million.* The District's SCADA (Supervisory Control and Data Acquisition) system is aged (20+ years old) and subject to failure making it dysfunctional at times. The master station is at the District Dairy Lane Operations Center, and remote sites are comprised of 11 steel tanks, 8 pump stations, 13 pressure regulator, 1 line flow meter, and 6 intertie valve stations. Operations personnel rely on the SCADA system for proactive response to potential problems within the District's water distribution system. The telemetry system has been updated in places but due to technology improvements and enhanced hardware reliability, the District contracted with a professional engineering consultant in 2015 and working with staff designed a SCADA Master Plan so that the District system could functionally be replaced. That plan is dated September 11, 2015, and was prepared by John

Nourse, Registered Electrical Engineer. For security reasons, the District does not publicly make this document available.

*Dairy Lane Operations Center Rehabilitation/Upgrade - \$1.5 million.* The Dairy Lane premises were purchased in 1997 and modified to meet the District's needs at that time, including a shop area and small office area. Most of the improvements were accomplished in-house by staff. The original HVAC system has exceeded its useful life and is not zoned properly in the office area, leaks in the roof have been repaired over the years but it, too, is in need of replacement, the office area needs to be redesigned for functionality, ergonomics, and improved use of the space, the carpet and flooring is original and needs to be replaced, and restrooms are deficient. A seismic evaluation of the facility and premises will be conducted within the next 90 days. The District is working with an engineer and architect, interior designer, and other consultants to develop a rehabilitation plan and design concepts, cost estimate, and phased construction plan.

*Summary.* Four out of the eight above described capital projects are included within the District's adopted 5-year CIP for FY 2016-17 through FY 2020-21. The other four projects will either be included in the next capital improvement plan or constructed with pay-go funds when available and approved by the Board.

The projected costs of the District’s 5-year capital improvement program are presented in the table below.

**5-YEAR CAPITAL IMPROVEMENT PROGRAM PROJECTED COSTS  
FY 2016-17 THROUGH FY 2020-21**

Project Number	Project Name	Projected Cost (2015)
15-14	Mezes Avenue Improvements	\$ 175,000
15-76	El Camino Real Improvements	2,100,000
15-65	Folger Drive Improvements	420,000
15-73	Karen Road Improvements	425,000
15-10	Notre Dame Avenue Loop Closure	910,000
15-44	South Road Abandonment	415,000
15-22	Arthur Avenue Improvements	475,000
15-16	Williams Avenue, Ridge Road, Hillman Avenue Improvements	1,100,000
15-43	North Road Cross Country/Davey Glen Road Improvements	680,000
15-06	Zone 5 Fire Hydrant Upgrades	150,000
15-78	Civic Lane Improvements	800,000
15-17	Monte Cresta Drive/Alhambra Drive Improvements	1,075,000
15-87	Hillcrest Pressure Regulating Station	345,000
15-09	Dekoven Tank Utilization Project	1,035,000
15-28	Tahoe Drive Area Improvements	510,000
15-29	Belmont Canyon Road Improvements	420,000
15-38	Cliffside Court Improvements	220,000
15-42	North Road Improvements	220,000
15-75	Old County Road Improvements	3,400,000
15-72	SR 101 Crossing at PAMF Hospital	1,670,000
15-89	Dekoven Tanks Replacement	3,500,000
	Total	<u>20,045,000</u>

Source: Mid-Peninsula Water District

**DISTRICT FINANCIAL MATTERS**

**Budgetary and Financial Matters**

The District operates on a July 1<sup>st</sup> to June 30<sup>th</sup> fiscal year. Each fiscal year, two (2) budgets are developed, an Operating Budget and a Capital Budget.

The District Board begins the budget development process in February or March of each year for a June adoption. The budget documents are discussed during regular District Board meetings each month from February through June.

The Operating Budget includes the revenues and expenditures for the day-to-day operations of the District. The Capital Budget includes the capital infrastructure and system projects and outlays. The District has been operating on a “pay as you go” basis for its capital improvements.

A mid-year budget review is typically scheduled each year. This process allows for an updated report on the previous 6-month operational and capital activities, and revenue collections and

expenditures. Any proposed budgetary adjustments for the remainder of the fiscal year are also considered at this time.

### Historical Revenues, Expenses and Debt Service Coverage

The following table has been derived by the District on the basis of its audited financial statements for FY2012-13 through FY2014-15, the unaudited actuals for FY2015-16 and the operating budget for FY2016-17. A copy of the most recent audited financial statements of the District for Fiscal Year ended June 30, 2015 is included as Appendix B hereto. The following summary is qualified in its entirety by reference to the audited financial statements for such years, including the notes thereto. The District's Auditor has not reviewed the information set forth in the following table.

#### HISTORICAL REVENUES, EXPENSES

	Fiscal Year				
	2012-13 Audited	2013-14 Audited	2014-15 Audited	2015-16 Actuals	2016-17 Budget
<b>Operating Revenues</b>					
Water service charges	9,023,562	9,748,347	9,269,172		
Other revenue	379,852	66,004	70,931		
<b>Total Operating Revenues</b>	<b>9,403,414</b>	<b>9,814,351</b>	<b>9,340,103</b>		
<b>Operating Expenses</b>					
Salaries and benefits	1,896,336	2,214,994	2,258,983		
Maintenance and rehabilitation	399,927	460,720	529,883		
Purchased water	4,344,176	4,102,227	4,160,810		
Utilities	336,603	303,834	312,784		
Professional services	554,249	386,496	461,682		
Administrative and other	617,416	687,694	665,813		
Depreciation	785,945	837,048	912,979		
<b>Total Operating Expenses</b>	<b>8,934,652</b>	<b>8,993,013</b>	<b>9,302,934</b>		
<b>Operating Income/(Loss)</b>	<b>468,762</b>	<b>821,338</b>	<b>37,169</b>		
<b>Non-Operating Revenues</b>					
Rent	171,808	209,518	194,681		
Property taxes	234,629	242,407	259,597		
Insurance claim reimbursement	-	4,726	-		
Interest income	8,566	11,662	9,751		
Completed projects	64,008	122,203	118,202		
<b>Total Non-Operating Revenues</b>	<b>479,001</b>	<b>590,516</b>	<b>582,231</b>		
<b>Change in Net Position</b>	<b>947,773</b>	<b>1,411,854</b>	<b>619,400</b>		
<b>Net Position, Beginning of Year</b>	<b>17,797,870</b>	<b>18,745,643</b>	<b>18,624,896<sup>(1)</sup></b>		
<b>Net Position, End of Year</b>	<b>18,745,643</b>	<b>20,157,497</b>	<b>19,244,296</b>		

Source: Mid-Peninsula Water District Audited Financial Statements for FY2013-2015 and the Mid-Peninsula Water District.

(1) Reflects a prior period adjustment of \$(1,532,601) relating to implementation of GASB 68.

## Projected Operating Results of the District

Estimated projected operating results and debt service coverage for the District for the current and next eight Fiscal Years are set forth below. Certain assumptions have been made by the District in the development of the projections. Many of these assumptions are reflected in the projections. While the District believes its assumptions are reasonable, there can be no assurance that the assumed conditions will in fact occur. The District's projections may be affected (favorably or unfavorably) by unforeseen future events. Therefore, the results projected below cannot be assured.

### PROJECTED REVENUES, EXPENDITURES AND DEBT SERVICE COVERAGE FISCAL YEARS 2015-16 TO 2023-24

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Adopted	Adopted	Adopted	Adopted	Adopted	Projected	Projected	Projected	Projected
Overall Rate Adjustments	18%	6%	6%	6%	6%	8%	6%	6%	5%
Growth in Service Connections	5	30	20	2	2	2	2	2	2
Water System Capacity Charge	\$9,375	\$9,560	\$9,750	\$9,950	\$10,150	\$10,350	\$10,560	\$10,770	\$10,990
Change in Water Sales	-13.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Change in Sales Revenues	-14.63%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Water Sales (hcf)	1,052,000	1,052,000	1,052,000	1,052,000	1,052,000	1,052,000	1,052,000	1,052,000	1,052,000
SFPUC Water Supply (hcf) +7%		1,125,600	1,125,600	1,125,600	1,125,600	1,125,600	1,125,600	1,125,600	1,125,600
Prior SFPUC Rate per hcf	\$3.75	\$3.78	\$3.79	\$4.31	\$4.72	\$4.74	\$4.90	\$5.03	\$5.17
Revised SFPUC Rate per hcf	\$3.75	\$4.10	\$4.28	\$4.68	\$5.33	\$5.34	\$5.49	\$5.89	\$6.11
SFPUC Add'l Rate Pass-Through	-	0.32	0.49	0.37	0.61				
Interest Earnings Rate	0.30%	0.50%	0.75%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Beginning Fund Reserves</b>	<b>\$3,387,000</b>	<b>\$3,046,000</b>	<b>\$3,108,000</b>	<b>\$3,135,000</b>	<b>\$3,152,000</b>	<b>\$3,232,000</b>	<b>\$3,273,000</b>	<b>\$3,348,000</b>	<b>\$3,425,000</b>
<b>REVENUES</b>									
Monthly Service Charges	2,460,000	2,684,000	2,908,000	3,132,000	3,356,000	3,625,000	3,844,000	4,076,000	4,281,000
Water Sales	7,250,000	7,737,000	8,093,000	8,461,000	8,842,000	9,549,000	10,122,000	10,729,000	11,265,000
Add'l Revs from Pass-Through	0	337,000	515,000	389,000	642,000	0	0	0	0
Subtotal Rate Revenues	9,710,000	10,758,000	11,516,000	11,982,000	12,840,000	13,174,000	13,966,000	14,805,000	15,546,000
Interest Revenue	10,000	15,000	23,000	31,000	32,000	32,000	33,000	33,000	34,000
Lease of Physical Property	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000	191,000
Property Taxes	245,000	252,000	260,000	268,000	276,000	284,000	293,000	302,000	311,000
Capacity Charges	235,000	287,000	195,000	20,000	20,000	21,000	21,000	22,000	22,000
Other/Miscellaneous Revenues	50,000	50,000	52,000	54,000	56,000	58,000	60,000	62,000	64,000
<b>Total Revenues</b>	<b>10,400,000</b>	<b>11,517,000</b>	<b>12,206,000</b>	<b>12,520,000</b>	<b>13,394,000</b>	<b>13,744,000</b>	<b>14,553,000</b>	<b>15,409,000</b>	<b>16,168,000</b>
Debt Proceeds		15,000,000							
<b>EXPENSES</b>									
<b>Operating &amp; Maintenance</b>	<b>Revised</b>	<b>Revised</b>							
Personnel Costs	2,500,000	2,800,000	2,912,000	3,028,000	3,149,000	3,275,000	3,406,000	3,542,000	3,684,000
SFPUC Water Purchases	4,130,000	4,680,000	4,900,000	5,328,000	6,034,000	6,110,000	6,265,000	6,690,000	6,955,000
BAWSCA Bond Surcharge	461,000	475,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000
Maintenance & Repair	500,000	500,000	520,000	541,000	563,000	586,000	609,000	633,000	658,000
Utilities	300,000	300,000	312,000	324,000	337,000	350,000	364,000	379,000	394,000
Professional Services	550,000	500,000	520,000	541,000	563,000	586,000	609,000	633,000	658,000
Wtr Conservation Prog & Rebates	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Other Operating Costs	600,000	625,000	650,000	676,000	703,000	731,000	760,000	790,000	822,000
Subtotal	9,171,000	10,010,000	10,434,000	11,058,000	11,969,000	12,258,000	12,633,000	13,287,000	13,791,000
Debt Service (20-Years, 3.25%)		1,045,000	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000
Capital Improvements	1,570,000	400,000	700,000	400,000	300,000	400,000	800,000	1,000,000	1,300,000
<b>Total Expenses</b>	<b>10,741,000</b>	<b>11,455,000</b>	<b>12,179,000</b>	<b>12,503,000</b>	<b>13,314,000</b>	<b>13,703,000</b>	<b>14,478,000</b>	<b>15,332,000</b>	<b>16,136,000</b>
<b>Revenues Less Expenses</b>	<b>(341,000)</b>	<b>62,000</b>	<b>27,000</b>	<b>17,000</b>	<b>80,000</b>	<b>41,000</b>	<b>75,000</b>	<b>77,000</b>	<b>32,000</b>
<b>Ending Fund Reserves</b>	<b>3,046,000</b>	<b>3,108,000</b>	<b>3,135,000</b>	<b>3,152,000</b>	<b>3,232,000</b>	<b>3,273,000</b>	<b>3,348,000</b>	<b>3,425,000</b>	<b>3,457,000</b>
Debt Service Coverage		1.44	1.70	1.40	1.36	1.42	1.84	2.03	2.27

Source: Mid-Peninsula Water District

## Outstanding Water System Obligations

The District has no outstanding loans, obligations, or long-term debt payable from Net Revenues.

## Investments

District cash reserves as of August 31, 2016, are invested with the State LAIF (Local Agency Investment Fund) and identified per its Reserve Policy as follows:

MPWD RESERVE FUNDS				
Reserve Account	Balance @ 08/31/2014	Balance @ 08/31/2015	Balance @ 08/31/2016	Budget for Reserve Policy
Capital Reserves	\$ 1,779,466	\$ 889,457	\$ 1,555,161	\$ 2,500,000
Emergency Reserves	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Working Capital Reserves	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
<b>TOTAL RESERVE FUNDS</b>	<b>\$ 4,279,466</b>	<b>\$ 3,389,457</b>	<b>\$ 4,055,161</b>	<b>\$ 5,000,000</b>

Source: Mid-Peninsula Water District

The District adopted a Reserve Policy on December 13, 2007 to cover its' investment and reserve activities.

## Risk Management

The District is a member of ACWA JPIA (Association of California Water Agencies Joint Power Insurance Authority) and belongs to its pooled insurance group together with other California public water agencies for property, liability, worker's compensation, and healthcare benefits. Policy limits are \$60 million.

## Employees' Retirement Plan

*Plan Description.* All qualified permanent and probationary employees are eligible to participate in the District's Retirement Plan (the "Plan"), agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System ("CalPERS"), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*Benefits Provided.* CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On January 1, 2013, the Public Employee Pension Reform Act ("PEPRA") went into effect. This State law applies to employees hired after January 1, 2013 who are new to CalPERS. These employees are termed PEPRA members and employees that were enrolled in CalPERS (without significant separation)



prior to January 1, 2013 are now referred to as classic members. PEPRA miscellaneous members will be enrolled in a 2% at 62 plan. PEPRA members will be required to pay half the normal cost of their plans.

*Contributions.* Section 20814(C) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30th by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the average active employee contribution rate is 7.958% of annual pay for the Plan, and employer contribution rate is 23.324% of annual payroll for the Plan.

*Net Pension Liability.* As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan of \$1,118,234.

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2014 is 0.04525%.

*Deferred Outflows and Deferred Inflows of Resources Related to Pensions.* For the year ended June 30, 2015, the District recognized pension expense of \$143873. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

	Deferred Outflows of Resources	Deferred inflows of Resources
Contributions subsequent to measurement date	203,461	-
Difference between proportionate share and actual share of employer contributions	-	62,799
Change in employer portion and proportionate share of contributions	-	(23,453)
Differences between projected and actual earnings on Plan investments	-	(258,064)
Total	203,461	-

Source: Mid-Peninsula Water District 2014-15 Audited Financial Statements

\$203461 reported as deferred outflows of resources related contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

**RECOGNITION SCHEDULE**

Measurement Periods Ended June 30,	Deferred Outflows/(Inflows) of Resources
2016	(50,464)
2017	(50,464)
2018	(53,274)
2019	(64,516)

Source: Mid-Peninsula Water District 2014-15 Audited Financial Statements

See “Note 4 - Employee Retirement Plan” in APPENDIX B—“AUDITED FINANCIAL STATEMENTS OF THE MID-PENINSULA WATER DISTRICT FOR THE YEAR ENDED JUNE 30, 2015” for additional information about the Plan.

*Recent Actions by PERS.* On March 14, 2012, the PERS Board of Administration voted to reduce its discount rate, which is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, (i) the amounts of PERS member employer contributions will increase by 1.2 to 1.6% for Miscellaneous plans and 2.2 to 2.4% for Safety plans beginning fiscal year 2012-13 and (ii) the amounts of PERS member public agency contributions will increase by one to 2% for Miscellaneous plans and two to 3% for Safety plans beginning fiscal year 2013-14.

The PERS Board adjustment has been undertaken in order to address underfunding of the PERS funds, which arose from significant losses incurred as a result of the economic crisis arising in 2008 and persists due to a slower than anticipated, subsequent economic recovery. The District is unable to predict what the amount of PERS liabilities will be in the future, or the amount of the PERS contributions which the District may be required to make.

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

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

On February 20, 2014, the PERS Board of Administration adopted new mortality and retirement assumptions as part of a regular review of demographic experience. Key assumption changes included longer post-retirement life expectancy and earlier retirement ages. The impact of the assumption changes will be phased in over five years, with a twenty-year amortization, beginning in the 2016-17 Fiscal Year.

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

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

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

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

*GASB Statement Nos. 67 and 68.* On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, will replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: 1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); 2) more components of full pension costs being shown as expenses regardless of actual contribution levels; 3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; 4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and 5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to

recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time.

The reporting requirements under GASB No. 68 for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014. The District's net pension liability at June 30, 2016 calculated pursuant to GASB No. 68 was estimated to be \$69,753,895.

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

The provisions of PEPRA went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the District, will have a five-year window to negotiate compliance with PEPRA through collective bargaining. If agreement is not reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension benefits, up to 8% of pay for civil workers and 11% or 12% for public safety workers.

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

More information about PEPRA can be accessed through the PERS's web site at <https://www.calpers.ca.gov/page/about/laws-regulations/regulatory-actions/pepra>. That website is not incorporated herein by reference.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make.

### **Other Post-Employment Benefits**

*Plan Description.* The District provides postemployment health care benefits for all employees who terminate or retire from the District after achieving age 55 with at least 20 years of service. For employees hired before June 28, 2008, District-paid benefits are available to eligible beneficiaries. The

General Manager position qualifies for postemployment healthcare benefits after 7 1/2 years of service with the District per the employment agreement.

*Funding Policy.* The District has an agreement with the Public Agency Retirement Services (PARS) to be the Trust Administrator to the PARS Public Agencies Post-Retirement Health Care Plan Trust. The amount to be contributed to the trust is determined annually by the District Board.

*Annual OPEB Cost and Net OPEB Asset.* The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contributions (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation:

#### CHANGE IN OPEB OBLIGATION

Actuarially determined contribution	155,500
Interest on net OPEB asset	(1,141)
Adjustment to annual required contribution	1,169
Annual OPEB cost	155,528
Contributions made	(131,620)
Increase in net OPEB obligation	23,908
Net OPEB asset – beginning of year	(19,343)
Net OPEB asset – end of year	4,565

Source: Mid-Peninsula Water District 2014-15 Audited Financial Statements

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year and each of the two preceding years are as follows:

#### HISTORICAL OPEB OBLIGATIONS

Fiscal Year	Annual OPEB Cost (AOC) (Employer Contribution)	Actual Contribution	% of AOC Contributed	Net OPEB Obligation/(Asset)
2014-15	155,528	131,620	85%	4,565
2013-14	151,033	147,344	98	(19,343)
2012-13	123,748	78,546	63	(23,032)

Source: Mid-Peninsula Water District 2014-15 Audited Financial Statements

*Funded Status and Funding Progress.* 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 District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

See “Note 6 – Other Post-employment Benefits” in APPENDIX B— “AUDITED FINANCIAL STATEMENTS OF THE MID-PENINSULA WATER DISTRICT FOR THE YEAR ENDED JUNE 30, 2015” for additional about the post-employment health care benefits provided to the employees of the District.

## **THE CORPORATION**

The Corporation is a nonprofit, public benefit corporation duly organized and existing under the laws of the State of California and is entitled to purchase personal and real property and to sell or lease such property, to contract for construction and improvements and to execute operating agreements regarding such property. The Corporation was formed for the purpose of providing financial assistance to public entities by acquiring, constructing, developing and refinancing certain facilities for the use and benefit of the public. The Corporation has no liability to the Owners of the Certificates.

## **CERTIFICATE OWNERS’ RISKS**

The following section describes certain special considerations and risk factors affecting the risk of nonpayment or the security for the Certificates. The following discussion is not meant to be an exhaustive or definitive description of the risks associated with a purchase of any Certificate and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors regarding the Certificates, together with all other information in this Official Statement in order to make an informed investment decision with respect to the Certificates. There can be no assurance that other risk factors are not or will not become material in the future.

### **Certain Factors Affecting the District Generally**

The District’s ability to make Installment payments is dependent upon the collection of water service charges. Those charges are collected with relatively consistent and predictable demands. A number of factors could adversely affect the District’s water service charge structure including, but not limited to, capital improvement needs, federal and state requirements and general economic conditions. The District has been able to adjust its rates from time to time to meet such conditions and expects to continue to have that ability.

### **Certificates Are Limited Obligations**

The Certificates are special, limited obligations of the Corporation, payable from Revenues derived from Installment Payments. The Certificates shall not be deemed to constitute a debt or liability of the District, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the District, the State of California or of any political subdivision thereof, but shall be payable, except to the extent of certain available moneys pledged therefor, solely from Net Revenues. Neither the faith and credit nor the taxing power of the District, the State of California or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Certificates. The issuance of the Certificates shall not directly or indirectly or contingently obligate the District, the State of California or

any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

### **Limitations on Remedies**

The enforceability of the rights and remedies of the owners of the Certificates and the Trustee, and the obligations incurred by the District, may be subject to the following: the limitations on legal remedies against cities in California; the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Certificates 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 since the Water System serves an essential public purpose.

### **Water System Demand and Growth**

There can be no assurance that the local demand for the services provided by the Water System will be maintained at levels described in this Official Statement under the headings "DISTRICT WATER SYSTEM." Reduction in the level of demand could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the District's rate covenant in the Installment Sale Agreement. There can be no assurance that any other entity with regulatory authority over the Water System will not adopt further restrictions on operation of the Water System.

### **Water System Expenses**

There can be no assurance that the District's expenses for the Water System will be consistent with the levels described in this Official Statement. Changes in technology, new regulatory requirements, increases in the cost of energy or other expenses would reduce Net Revenues, and could require substantial increases in service charges in order to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

### **Environmental Laws and Regulations**

The Water System is subject to a wide variety of local, State, and federal health and environmental laws. Among the types of regulatory requirements faced by such facilities are air and water quality control requirements. Such regulations, as they may be from time to time amended or subsequently enacted could affect the Net Revenues available to pay the Certificates.

### **Limited Recourse on Default**

If the District defaults on its obligation to make Installment payments, the Trustee has the right to accelerate the total unpaid principal amount of the Certificates. However, in the event of a default and

such acceleration there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated payments.

### **Limitations on Rate Setting Under the California Constitution**

On November 5, 2005, the voters of the State approved Proposition 218, a constitutional initiative, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Articles XIIC and XIID to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the District, to levy and collect both existing and future taxes, assessments, fees and charges.

Section 3 of Article XIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIC to fees imposed after November 6, 2005, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 2005.

“Fees” and “charges” are not expressly defined in Article XIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIC and Article XIID (“SB 919”). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virgil (Kelley)* (the “*Bighorn Decision*”) that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC.

In the *Bighorn Decision*, the Supreme Court did state that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after [the effective date of Proposition 218] assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. No assurance can be given that the voters of the District will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the District’s sewer service fees and charges, which are the source of Net Revenues pledged to the payment of debt service on the Bonds or any additional Parity Obligations.



Notwithstanding the fact that sewer service charges may be subject to reduction or repeal by voter initiative undertaken pursuant to Section 3 of Article XIIC, the District has covenanted to levy and charge rates which meet the requirements of the Indenture in accordance with applicable law.

Article XIID defines a “fee” or “charge” as any levy other than an *ad valorem* tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership.” In the *Bighorn Decision*, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of Article XIID. Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

The District’s sewer charge is a commodity charge based on the volume of sewer consumed. The District has ratified prior sewer rate measures and otherwise complied with the applicable notice and protest procedures of Article XIID for its current sewer rates and charges. There has not been nor is there any pending challenge to any of the District’s sewer fees and charges approved since the effective date of Proposition 218. While the District’s counsel is of the opinion, based upon the judicial precedent in place during the period of these rate increases, that a reviewing court could reasonably uphold the validity of those increases, neither the District nor the District’s counsel can predict with certainty the outcome of a challenge to the increases in the District’s sewer rates and charges that were not approved in accordance with the notice and hearing requirements of Article XIID if one were brought.

In addition, Article XIID also includes a number of limitations applicable to fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge

imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIII D establishes procedural requirements for the imposition of assessments, which are defined as any charge upon real property for a special benefit conferred upon the real property. Standby charges are classified as assessments. Procedural requirements for assessments under Article XIII D include conducting a public hearing and mailed protest procedure, with notice to the record owner of each parcel subject to the assessment. The assessment may not be imposed if a majority of the ballots returned oppose the assessment, with each ballot weighted according to the proportional financial obligation of the affected parcel.

Existing, new or increased assessments are subject to the procedural provisions of Proposition 218. However, certain assessments existing on November 6, 2005, are classified as exempt from the procedures and approval process of Article XIII D. Expressly exempt assessments include (i) an assessment imposed exclusively to finance capital costs or Operation and Maintenance expenses for sewers, water, flood control and drainage systems, but subsequent increases are subject to the procedures and approval requirements; (ii) an assessment imposed pursuant to a petition signed by all affected landowners (but subsequent increases are subject to the procedural and approval requirements); (iii) assessments, the proceeds of which are used exclusively to pay bonded indebtedness, where failure to pay would violate the U.S. Constitution's prohibition against the impairment of contracts; and (iv) any assessment which has previously received approval by a majority vote of the voters (but subsequent increases are subject to the procedural and approval requirements).

On July 14, 2008, the California Supreme Court ruled in *Silicon Valley Taxpayers Association, Inc. v. Santa Clara County Open Space City* (the "SCCOSA Decision") that the Santa Clara County Open Space City's county-wide assessment which was designed to fund the acquisition and maintenance of unspecified open-space lands in the County was invalid under Proposition 218. The Court held that deference should not be accorded to local agencies when Proposition 218 legislative acts are challenged. Under Proposition 218, courts must make an independent review of whether the assessment and formation of an assessment district meet the "special benefit" and proportionality requirements of Article XIII D. Further, while an assessment will not be invalidated because it confers a benefit upon the public at large, the "special benefit" must affect the assessed property in a distinct and particular manner not shared by other parcels and the public at large. Specifically, in the SCCOSA Decision the assessment did not meet the requirements of a "special benefit" and the assessment was not proportional to the special benefits conferred. Finally, the Court held that the Santa Clara Open Space City did not meet the proportionality requirement of Article XIII D because it did not specifically identify the improvements to be financed by the assessment and failed to sufficiently connect any costs of and benefits received from the open space assessment to the specific assessed parcels.

The District and the District's counsel are of the opinion that current sewer fees and charges that are subject to Proposition 218 comply with the provisions thereof. The District and the District's counsel are also of the opinion that current sewer capacity fees are not subject to Proposition 218. Should it become necessary to increase the sewer fees and charges above current levels, the District would be

required to comply with the requirements of Article XIID in connection with such proposed increase. To date, there have been no legal challenges to sewer rate increases implemented by the District pursuant to Proposition 218 or otherwise. It is unclear whether under existing standards, rates and charges may be established at levels which would permit deposits to a Rate Stabilization Fund or maintenance of uncommitted cash reserves.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

### **Limitations on Remedies Available**

The ability of the District to comply with its covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay principal of and interest on the Certificates may be adversely affected by actions and events outside of the control of the District, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “Proposition 218” below. Furthermore, any remedies available to the owners of the Certificates 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 to the limitations on Owner remedies contained in the Indenture, the rights and obligations under the Certificates and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

### **Future Initiatives**

Articles XIIC and XIID were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives could be proposed and adopted affecting Net Revenues or the District’s ability to increase its rates for water service.

### **Loss of Tax-Exemption**

As discussed under the caption “TAX MATTERS,” interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date of execution and delivery of Certificates as a result of future acts or omissions of the District in violation of certain covenants contained in the Indenture. Should such an event of taxability occur, the Certificates are

not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed pursuant to the Indenture.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **CONTINUING DISCLOSURE**

The District has covenanted for the benefit of owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Wastewater System by not later than nine months following the end of the District's fiscal year (currently ending June 30) (the "Annual Report"), commencing with the report for the fiscal year ended June 30, 2016, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board through the Electronic Municipal Access (EMMA) System. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized below under the caption APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The District has no prior obligations to provide continuing disclosure information under the Rule.

### **TAX MATTERS**

Federal tax law contains a number of requirements and restrictions which apply to the Certificates, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest with respect to the Certificates to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to become includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Special Counsel, interest with respect to the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest with respect to the Certificates is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Special Counsel will rely upon certifications of the District with respect to certain material facts within its knowledge. Special Counsel's opinion represents its legal judgment

based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the “Code”), includes provisions for an alternative minimum tax (“AMT”) for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation’s alternative minimum taxable income (“AMTI”), which is the corporations’ taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation’s “adjusted current earnings” over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). “Adjusted current earnings” would generally include certain tax-exempt interest, but not interest with respect to the Certificates.

Ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the “Issue Price”) for each maturity of the Certificates is the price at which a substantial amount of such maturity of the Certificates is first sold to the public. The Issue Price of a maturity of the Certificates may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Certificates who dispose of Certificates prior to the stated maturity (whether by sale, redemption or otherwise), purchase Certificates in the initial public offering, but at a price different from the Issue Price, or purchase Certificates subsequent to the initial public offering, should consult their own tax advisors.

If a Certificate is purchased at any time for a price that is less than the Certificate’s stated redemption price at maturity (the “Reduced Issue Price”), the purchaser will be treated as having purchased a Certificate with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Certificate is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. Such treatment would apply to any purchaser who purchases a Certificate for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Certificate. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Certificates.

An investor may purchase a Certificate at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Certificate in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Certificate. Investors who purchase a Certificate at a premium should consult their own tax advisors regarding the amortization of

bond premium and its effect on the Certificate's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Certificate.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. Special Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Certificates. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Certificates until the audit is concluded, regardless of the ultimate outcome.

Payments of interest with respect to, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Certificates, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Certificate owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Certificate owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Special Counsel, interest with respect to the Certificates is exempt from California personal income taxes.

Ownership of the Certificates may result in other state and local tax consequences to certain taxpayers. Special Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Special Counsel expects to deliver upon the delivery of the Certificates is set forth in APPENDIX C — FORM OF FINAL OPINION OF SPECIAL COUNSEL.

## **MUNICIPAL ADVISOR**

The District has retained Wulff, Hansen & Co., San Francisco, California, as municipal advisor (the "Municipal Advisor") in connection with the execution and delivery of the Certificates. The Municipal Advisor has assisted the District in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Certificates. The Municipal Advisor has not audited, authenticated or otherwise independently verified any of the data contained herein. The Municipal Advisor has not conducted a detailed investigation of the affairs of the District to determine the

accuracy or completeness of disclosure information contained in this Official Statement. Due to its limited participation, the Municipal Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein and offers no guaranty, warranty or other representation respecting the accuracy and completeness of this Official Statement. The fees of the Municipal Advisor are contingent upon the sale and delivery of the Certificates.

### **CERTAIN LEGAL MATTERS**

Quint & Thimmig LLP, Larkspur, California, Special Counsel, will render an opinion with respect to the validity and enforceability of the Installment Sale Agreement, the Trust Agreement and the Assignment Agreement, the form of which opinion is set forth in Appendix C. Certain disclosure matters will be passed upon by for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. Certain matters will be passed upon by for the District by Hanson Bridgett LLP, San Francisco, California.

### **ABSENCE OF LITIGATION**

There is no litigation pending against the District, nor, to the knowledge of the officers or attorneys of the District, threatened, in any court or other tribunal of competent jurisdiction, state or federal, in any way (i) restraining or enjoining the execution, sale or delivery of any of the Certificates, or (ii) questioning or affecting the validity of the Certificates or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Certificates, or (iv) questioning or affecting the validity or enforceability of the Installment Sale Agreement or Trust Agreement, or (v) questioning or affecting the operation of the Water System or the pledge of the Net Revenues, or the collection of the payments to be made pursuant to the Installment Sale Agreement.

### **RATING**

S&P Global Ratings (“S&P”) has assigned the rating of “\_\_\_” to the Certificates. This rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of the S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

### **UNDERWRITING**

Following a competitive sale, the Certificates will be purchased by \_\_\_\_\_ (the “Underwriter”). The Underwriter will agree to purchase the Certificates at a price of \$ \_\_\_\_\_ (representing an aggregate principal amount of the Certificates of \$ \_\_\_\_\_, plus a net original issue premium of \$ \_\_\_\_\_, and less an Underwriter’s discount of \$ \_\_\_\_\_). After a bona fide initial public offering at the price stated on the inside cover page hereof, the Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

**AVAILABILITY OF DOCUMENTS**

Copies of the Installment Sale Agreement, the Trust Agreement and the Assignment Agreement will be available, upon written request, from the General Manager of the Mid-Peninsula Water District, 3 Dairy Lane, Belmont, CA 94002 (650) 591-8941

**MISCELLANEOUS**

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Certificates.

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

MID-PENINSULA WATER DISTRICT

By \_\_\_\_\_  
General Manager



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**APPENDIX A**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF  
THE MID-PENINSULA WATER DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2015**

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## APPENDIX C

### FORM OF FINAL OPINION OF SPECIAL COUNSEL

[Closing Date]

Board of Directors of the  
Mid-Peninsula Water District  
3 Dairy Lane  
Belmont, California 94002

OPINION:       \$ \_\_\_\_\_ \* Certificates of Participation (2016 Financing Project), Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Installment Payments to be Made by the Mid-Peninsula Water District (San Mateo County, California), As the Purchase Price for Certain Property Pursuant to an Installment Sale Agreement with the Public Property Financing Corporation of California

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Members of the Board of Directors of the District:

We have acted as special counsel in connection with the delivery by the Mid-Peninsula Water District (the "District"), of its \$ \_\_\_\_\_ \* Installment Sale Agreement, dated as of December 1, 2016, by and between the Public Property Financing Corporation of California (the "Corporation") and the District (the "Installment Sale Agreement"), pursuant to the California Water Code. The Corporation has, pursuant to the Assignment Agreement, dated as of December 1, 2016 (the "Assignment Agreement"), by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), assigned certain of its rights under the Installment Sale Agreement, including its right to receive installment payments made by the District thereunder (the "Installment Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of December 1, 2016, by and among the Trustee, the Corporation and the District (the "Trust Agreement"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Installment Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Installment Sale Agreement and the Trust Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

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

1. The District is duly created and validly existing as a water district with the power to enter into the Installment Sale Agreement and the Trust Agreement and to perform the agreements on its part contained therein.
2. The Installment Sale Agreement has been duly authorized, executed and delivered by the District and is an obligation of the District valid, binding and enforceable against the District in accordance with its terms.
3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

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\* Preliminary, subject to change.

4. Subject to the terms and provisions of the Installment Sale Agreement, the Installment Payments to be made by the District are payable from a first and prior lien on Net Revenues of the Water System (as such terms are defined in the Installment Sale Agreement) on a parity with certain outstanding obligations. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Installment Payments in accordance with the terms and provisions of the Trust Agreement.

5. Subject to the District's compliance with certain covenants, the portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but we express no opinion as to whether the portion of the Installment Payments designated as and comprising interest is taken into account in computing adjusted current earnings which is used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause the portion of the Installment Payments designated as and comprising interest to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

6. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

With respect to the opinions expressed herein, the enforceability of the Installment Sale Agreement is subject to the limitations on the imposition of certain fees and charges by the District related to the Water System under Articles XIII C and XIII D of the California Constitution. In addition, the rights of the owners of the Certificates and the enforceability of the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the MID-PENINSULA WATER DISTRICT (the “District”) in connection with the execution and delivery of \$ \_\_\_\_\_ \* Mid-Peninsula Water District (San Mateo County, California) Certificates of Participation (2016 Financing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2016, by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the District and the Public Property Financing Corporation of California (the “Trust Agreement”). Pursuant to Section 11.08 of the Trust Agreement, the District covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

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

“*Dissemination Agent*” shall mean \_\_\_\_\_ or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

“*EMMA*” or “*Electronic Municipal Market Access*” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

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

“*Participating Underwriter*” shall mean any original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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\* Preliminary, subject to change.



Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on December 31), commencing with the report for the 2015-16 Fiscal Year, which is due not later than March 31, 2017, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance.* If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

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

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, as follows:

- (1) Ten largest customers by revenue.
- (2) Ten largest customers by consumption.

- (3) Water rates.
- (4) Debt service coverage ratio.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

#### Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination Agent (if not the District) to, give notice of the occurrence of any of the following events with respect to the Certificates:

- (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) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than

in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Certificates under the Trust Agreement.

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

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

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Certificate owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid reasonable compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all reasonable expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3. The Dissemination Agent shall have no liability of any kind whatsoever to the Corporation, or any other person or entity, arising from or related to the failure of the Dissemination Agent to provide such request to the Corporation.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Certificate owners in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Certificate owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees and expenses) of defending against any claim

of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Trust Agreement. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

The Dissemination Agent agrees to accept and act upon instructions or directions pursuant to this Disclosure Certificate sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Dissemination Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District or the City elects to give the Dissemination Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Dissemination Agent in its discretion elects to act upon such instructions, the Dissemination Agent's understanding of such instructions shall be deemed controlling. The Dissemination Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Dissemination Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District and the City agree: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Dissemination Agent, including without limitation the risk of the Dissemination Agent 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 Dissemination Agent and that there may be more secure methods of transmitting instructions than the method(s) selected by the District or the City; and (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.

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

Section 14. Governing Law. This Disclosure Certificate shall be governed by the laws of the state of California.

Date: [Closing Date]

MID-PENINSULA WATER DISTRICT

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

ACKNOWLEDGED:

\_\_\_\_\_, as Dissemination Agent

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

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Mid-Peninsula Water District

Name of Issue: Certificates of Participation (2016 Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Installment Payments to be Made by the Mid-Peninsula Water District (San Mateo County, California), As the Purchase Price for Certain Property Pursuant to an Installment Sale Agreement with the Public Property Financing Corporation of California

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the District in connection with the Issue. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_

\_\_\_\_\_, Dissemination Agent

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

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## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix E has been provided by The Depository Trust Company (“DTC”), New York, NY, for use in securities offering documents, and City takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Certificates or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.*

1. DTC will act as securities depository for the Certificates (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 is rated AA+ by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such



other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond 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 nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.



**AGENDA ITEM NO. 3.B.**

DATE: October 11, 2016  
TO: Board of Directors  
FROM: Rene A. Ramirez, Operations Manager  
Joubin Pakpour, District Engineer

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**SUBJECT: CONSIDER RESOLUTION 2015-21 ACCEPTING AS COMPLETE THE ALAMEDA DE LAS PULGAS WATER MAIN REPLACEMENT PROJECT AND AUTHORIZING THE RECORDATION OF A NOTICE OF COMPLETION FOR THE PROJECT**

---

**RECOMMENDATION**

Approve Resolution 2015-21 accepting as complete the Alameda de las Pulgas Water Main Replacement Project and authorizing the recordation of a Notice of Completion for the project.

**FISCAL IMPACT**

Original Contract Amount	\$620,807.00
Approved Change Orders	\$11,995.25
<u>Balancing Change Orders</u>	<u>(\$17,736.34)</u>
Total Value of Work Completed	\$615,065.91

**DISCUSSION**

To avoid duplicity, the District Engineer’s report attached to this report provides a complete summary and final accounting, including brief description of the Balancing Change Orders for the Alameda de las Pulgas Water Main Replacement Project.

Record drawings were submitted to the MPWD by the contractor.

Once accepted by the Board, the attached Notice of Completion for the project will be signed and filed with San Mateo County.

Attachments: Resolution 2016-21  
Notice of Completion  
District Engineer Project Progress Report

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BOARD ACTION: APPROVED:\_\_\_\_\_ DENIED:\_\_\_\_\_ POSTPONED:\_\_\_\_\_ STAFF DIRECTION:\_\_\_\_\_

UNANIMOUS\_\_\_\_\_ LINVILL\_\_\_\_\_ ZUCCA\_\_\_\_\_ WARDEN\_\_\_\_\_ STUEBING\_\_\_\_\_ VELLA\_\_\_\_\_

**RESOLUTION NO. 2016-21**

**ACCEPTING AS COMPLETE THE ALAMEDA DE LAS PULGAS WATER MAIN REPLACEMENT PROJECT AND AUTHORIZING THE RECORDATION OF A NOTICE OF COMPLETION FOR THIS PROJECT**

\*\*\*

**MID-PENINSULA WATER DISTRICT**

**WHEREAS**, on April 28, 2016, the Mid-Peninsula Water District (“District”) entered into a construction contract with R.J. Gordon Construction, Inc. in the amount of \$620,807.00 for the Alameda de las Pulgas Water Main Replacement Project; and

**WHEREAS**, four change orders were issued during the course of the Project, decreasing the contract price by \$5,741.09 for a total contract amount of \$615,065.91; and

**WHEREAS**, the Project Manager has determined that the work required under this contract has been completed in accordance with the contract plans and specifications and the contractor has submitted record drawings to the District; and

**WHEREAS**, a recommendation has been presented to the Board of Directors of the District to accept the project as complete and to authorize the recordation of a Notice of Completion with the County Recorder.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Mid-Peninsula Water District as follows:

1. The Alameda de las Pulgas Water Main Replacement Project is hereby accepted as complete; and
2. The General Manager is hereby authorized and directed to record a Notice of Completion with the County of San Mateo evidencing acceptance and completion of this project.

REGULARLY passed and adopted this 11th day of October 2016.

AYES:

NOES:

ABSENT:

ATTEST:

ATTEST:

\_\_\_\_\_  
PRESIDENT

\_\_\_\_\_  
SECRETARY OF THE BOARD



## MEMO

**Agency:** Mid-Peninsula Water District **Date:** October 6, 2016  
**Attn:** Board of Directors  
**Project Name:** Alameda de las Pulgas Water Main Replacement Project **Project No.:** 10012.15  
**Reference:** Project Update and Progress Payment No.4  
**From:** Joubin Pakpour, P.E. – District Engineer *JP*

### Construction Status

On September 17, 2016 R.J. Gordon Construction, Inc. (RJG) completed the striping and on September 22, 2016 the last field punch list item was completed.

On September 19, 2016 the District and City of Belmont completed a final walk through and found no defects. We recommend acceptance of this project and filing the Notice of Completion (NOC) with San Mateo County in accordance with Section G7.26 of the project General Provisions.

The District will assess 11 calendar days of liquidated damages for the total of \$14,300 in accordance with Section G8.10 of the project General Provisions for the period of September 12, 2016 (restarting of the working days after approval of the striping layout by the City of Belmont) through September 22, 2016 (completion of all field punch list items).

Final invoice and retention will be released within 60 days after filling the NOC with the County and after we verify RJG has paid all vendors and subcontractors associated with the project.

We are in receipt of three notices of potential claims totaling \$43,184.00.

### Change Orders and Balancing Change Order

Enclosed please find the Balancing Change Order in sum of <\$17,736.34>. The balancing change order adjusts the original contract bid quantities to reflect the actually constructed quantities. Between the three Change Orders and Balancing Change Order, the total contract amount was decreased by \$5,741.09.

Total change orders for the project are <\$5,741.09>, -1.0% of initial contract price. Four major items are contributed to change orders in general. Below we have broken these items out for this project.

<b>Change Order Description – Total</b>	<b>Total Amount</b>	<b>% Increase over Original Contract</b>
Owner requested changes	\$132.30	0.0%
Unforeseen Site Conditions	\$13,222.58	2.1%
Items missing from Plans & Specifications	\$0.00	0.0%
Other / Misc / Balancing Change Order	<\$19,095.97>	-3.1%
<b>Total:</b>	<b>&lt;\$5,741.09&gt;</b>	<b>-0.9%</b>

**Request for Progress Payment No. 4 - Final**

As of September 30, 2016 RJG has completed 100% percent of the contractual work (**\$615,065.91**).

Enclosed please find Progress Payment No. 4 due RJG for this period for **\$5,086.80** (value of work less 5 percent retention). The work performed to date has been satisfactory and payment is recommended.

	<b>Current Month</b>	<b>Total</b>	
Original Contract Amount		\$ 620,807.00	
Approved Change Orders		\$ 11,995.25	1.9%
Balancing Change Orders	<\$17,736.34>	<\$17,736.34>	-2.9%
<b>Final Contract Amount</b>		<b>\$ 615,065.91</b>	
Previously Paid		\$ 579,226.11	
<b>Current Request (Less Retention)</b>	<b>\$ 5,086.80</b>	<b>\$ 5,086.80</b>	
Retention	\$ 269.00	\$ 30,753.00	
Total Value of Work Completed	\$ 5,353.80	\$ 615,065.91	100%
Total Remaining on Contract		\$ 0.00	0%

Alameda de las Pulgas Water Main Replacement Project  
Progress Payment No. 04 - Balancing Change Order

Bid Item	Description	Original Contract Amount				Change Order			Revised Contract Amount			Earned This Period			Prior Billing			Total to Date		
		Unit	Unit Price	Qty.	Total Price	Qty.	Unit Price	Total Price	Qty.	Unit Price	Total Price	Qty.	Amount Earned	%	Qty.	Amount Earned	%	Qty.	Amount Earned	%
1	8-inch Class 350 DIP	LF	\$ 199.00	1618	\$ 321,982.00	(5)	\$ 199.00	\$ (995.00)	1,613	\$ 199.00	\$ 320,987.00		\$ -	0%	1613	\$ 320,987.00	100%	1613	\$ 320,987.00	100%
2	8-inch Gate Valve	EA	\$ 1,750.00	16	\$ 28,000.00	0	\$ 1,750.00	\$ -	16	\$ 1,750.00	\$ 28,000.00		\$ -	0%	16	\$ 28,000.00	100%	16	\$ 28,000.00	100%
3	8-inch 45° and/or 90° bend (Vertical/Horizontal)	EA	\$ 550.00	11	\$ 6,050.00	5	\$ 550.00	\$ 2,750.00	16	\$ 550.00	\$ 8,800.00		\$ -	0%	16	\$ 8,800.00	100%	16	\$ 8,800.00	100%
4	8-inch 22.5° and/or 11.25° Bend (Vertical/Horizontal)	EA	\$ 450.00	12	\$ 5,400.00	(3)	\$ 450.00	\$ (1,350.00)	9	\$ 450.00	\$ 4,050.00		\$ -	0%	9	\$ 4,050.00	100%	9	\$ 4,050.00	100%
5	6-inch 45° and/or 90° bend (Vertical/Horizontal)	EA	\$ 400.00	1	\$ 400.00	0	\$ 400.00	\$ -	1	\$ 400.00	\$ 400.00		\$ -	0%	1	\$ 400.00	100%	1	\$ 400.00	100%
6	6-inch 22.5° and/or 11.25° Bend (Vertical/Horizontal)	EA	\$ 350.00	1	\$ 350.00	0	\$ 350.00	\$ -	1	\$ 350.00	\$ 350.00		\$ -	0%	1	\$ 350.00	100%	1	\$ 350.00	100%
7	4-inch 45° and/or 90° bend (Vertical/Horizontal)	EA	\$ 290.00	4	\$ 1,160.00	0	\$ 290.00	\$ -	4	\$ 290.00	\$ 1,160.00		\$ -	0%	4	\$ 1,160.00	100%	4	\$ 1,160.00	100%
8	4-inch 22.5° and/or 11.25° Bend (Vertical/Horizontal)	EA	\$ 275.00	1	\$ 275.00	(1)	\$ 275.00	\$ (275.00)	0	\$ 275.00	\$ -		\$ -	0%	0	\$ -	0%	0	\$ -	0%
9	6-inch Fire Hydrant Assembly	EA	\$ 9,950.00	5	\$ 49,750.00	0	\$ 9,950.00	\$ -	5	\$ 9,950.00	\$ 49,750.00		\$ -	0%	5	\$ 49,750.00	100%	5	\$ 49,750.00	100%
10	Fire Hydrant Bollard	EA	\$ 950.00	4	\$ 3,800.00	(4)	\$ 950.00	\$ (3,800.00)	0	\$ 950.00	\$ -		\$ -	0%	0	\$ -	0%	0	\$ -	0%
11	4-inch Temporary MJ Cap at Lyon Avenue	LS	\$ 575.00	1	\$ 575.00	(1)	\$ 575.00	\$ (575.00)	0	\$ 575.00	\$ -		\$ -	0%	0	\$ -	0%	0	\$ -	0%
12	8-inch MJ Cap at Mezes Avenue	LS	\$ 950.00	1	\$ 950.00	1	\$ 950.00	\$ 950.00	2	\$ 950.00	\$ 1,900.00		\$ -	0%	2	\$ 1,900.00	100%	2	\$ 1,900.00	100%
13	1-inch Service Connection (Same General Location)	EA	\$ 4,015.00	2	\$ 8,030.00	(1)	\$ 4,015.00	\$ (4,015.00)	1	\$ 4,015.00	\$ 4,015.00		\$ -	0%	1	\$ 4,015.00	100%	1	\$ 4,015.00	100%
14	5/8-inch Service Connection (Same General Location)	EA	\$ 2,950.00	21	\$ 61,950.00	0	\$ 2,950.00	\$ -	21	\$ 2,950.00	\$ 61,950.00		\$ -	0%	21	\$ 61,950.00	100%	21	\$ 61,950.00	100%
15	5/8-inch Service Connection (Relocate)	EA	\$ 3,350.00	13	\$ 43,550.00	0	\$ 3,350.00	\$ -	13	\$ 3,350.00	\$ 43,550.00		\$ -	0%	13	\$ 43,550.00	100%	13	\$ 43,550.00	100%
16	Service Meter Retaining Wall	EA	\$ 5,500.00	1	\$ 5,500.00	(1)	\$ 5,500.00	\$ (5,500.00)	0	\$ 5,500.00	\$ -		\$ -	0%	0	\$ -	0%	0	\$ -	0%
17	Abandon Existing Fire Hydrant Assembly	EA	\$ 1,365.00	2	\$ 2,730.00	0	\$ 1,365.00	\$ -	2	\$ 1,365.00	\$ 2,730.00		\$ -	0%	2	\$ 2,730.00	100%	2	\$ 2,730.00	100%
18	Removing Existing Fire Hydrant Assembly	EA	\$ 850.00	3	\$ 2,550.00	0	\$ 850.00	\$ -	3	\$ 850.00	\$ 2,550.00		\$ -	0%	3	\$ 2,550.00	100%	3	\$ 2,550.00	100%
19	Abandon Existing Gate Valve	EA	\$ 495.00	11	\$ 5,445.00	0	\$ 495.00	\$ -	11	\$ 495.00	\$ 5,445.00		\$ -	0%	11	\$ 5,445.00	100%	11	\$ 5,445.00	100%
20	Traffic Striping (Detail 21)	LF	\$ 2.10	1350	\$ 2,835.00	48	\$ 2.10	\$ 100.80	1398	\$ 2.10	\$ 2,935.80	1398	\$ 2,935.80	100%	0	\$ -	0%	1398	\$ 2,935.80	100%
21	Pavement Marking (Stop Marking + Stop Bar)	EA	\$ 158.00	10	\$ 1,580.00	1	\$ 158.00	\$ 158.00	11	\$ 158.00	\$ 1,738.00	11	\$ 1,738.00	100%	0	\$ -	0%	11	\$ 1,738.00	100%
22	Type II Slurry Seal	SF	\$ 0.99	43,000	\$ 42,570.00	(86)	\$ 0.99	\$ (85.14)	42914	\$ 0.99	\$ 42,484.86		\$ -	0%	42914	\$ 42,484.86	100%	42914	\$ 42,484.86	100%
23	Traffic Control Plan	LS	\$ 9,375.00	1	\$ 9,375.00	0	\$ 9,375.00	\$ -	1	\$ 9,375.00	\$ 9,375.00		\$ -	0%	1	\$ 9,375.00	100%	1	\$ 9,375.00	100%
24	Water Pollution Control Plan	LS	\$ 7,500.00	1	\$ 7,500.00	0	\$ 7,500.00	\$ -	1	\$ 7,500.00	\$ 7,500.00		\$ -	0%	1	\$ 7,500.00	100%	1	\$ 7,500.00	100%
25	Street Sweeping	EA	\$ 340.00	25	\$ 8,500.00	(15)	\$ 340.00	\$ (5,100.00)	10	\$ 340.00	\$ 3,400.00	2	\$ 680.00	20%	8	\$ 2,720.00	80%	10	\$ 3,400.00	100%
	Change Order No. 1					1	\$ 7,877.00	\$ 7,877.00	1	\$ 7,877.00	\$ 7,877.00		\$ -	0%	1	\$ 7,877.00	100%	1	\$ 7,877.00	100%
	Change Order No. 2					1	\$ 2,504.80	\$ 2,504.80	1	\$ 2,504.80	\$ 2,504.80		\$ -	0%	1	\$ 2,504.80	100%	1	\$ 2,504.80	100%
	Change Order No. 3					1	\$ 1,613.45	\$ 1,613.45	1	\$ 1,613.45	\$ 1,613.45		\$ -	0%	1	\$ 1,613.45	100%	1	\$ 1,613.45	100%
	Contract Amount				\$620,807.00			\$ (5,741.09)			\$615,065.91									
	Amount Earned												\$5,353.80	1%		\$609,712.11	99%		\$615,065.91	100%
	Retention (5%)												(\$267.00)						(\$30,753.00)	
	Progress Payment No.1																		(\$200,773.75)	
	Progress Payment No.2																		(\$285,439.30)	
	Progress Payment No.3																		(\$93,013.06)	
	Amount Due												\$5,086.80						\$5,086.80	
	Amount Remaining on Contract																		\$0.00	0%

Prepared By  
*JP*  
Joubin Pakpour, P.E.  
District Engineer

Amount Remaining on Contract	\$0.00	0%
Total Retention Being Held	(\$30,753.00)	
Total Pending Change Orders	\$ -	

**Mid-Peninsula Water District  
Alameda de las Pulgas Water Main Replacement Project  
Project No. 10012.15  
Balancing Change Order  
R.J. Gordon Construction, Inc.  
September 30, 2016**

**Bid Item No. 1 – 8-inch Class 350 DIP**

A deduct of five (5) LF of 8-inch 350 DIP water main which was not installed.

**The original contract amount for Bid Item No. 1 was decreased by: <\$995.00>**

**Bid Item No. 3 – 8-inch 45 and/or 90 Bend**

An additional five (5) bends were installed.

**The original contract amount for Bid Item No. 3 was increased by: \$2,750.00**

**Bid Item No. 4 – 8-inch 22.5 and/or 11.25 Bend**

A deduct of three (3) bends which were not installed.

**The original contract amount for Bid Item No. 4 was decreased by: <\$1,350.00>**

**Bid Item No. 8 – 4-inch 22.5 and/or 11.25 Bend**

A deduct of one (1) bend which was not installed.

**The original contract amount for Bid Item No. 8 was decreased by: <\$275.00>**

**Bid Item No. 10 – Fire Hydrant Bollard**

A deduct of four (4) fire hydrant bollards which were not installed.

**The original contract amount for Bid Item No. 10 was decreased by: <\$3,800.00>**

**Bid Item No. 11 – 4-inch Temporary MJ Cap at Lyon Avenue**

A deduct of one (1) 4-inch temporary MJ cap which was not installed.

**The original contract amount for Bid Item No. 11 was decreased by: <\$575.00>**

**Bid Item No. 12 – 8-inch MJ Cap at Mezes Avenue**

An additional one (1) 8-inch MJ cap was installed.

**The original contract amount for Bid Item No. 12 was increased by: \$950.00**

**Bid Item No. 13 – 1-inch Service Connection (Same General Location)**

A deduct of one (1) 1-inch service connection which was not installed.

**The original contract amount for Bid Item No. 13 was decreased by: <\$4,015.00>**

**Bid Item No. 16 – Service Meter Retaining Wall**

A deduct of one (1) service meter retaining wall which was not installed.

**The original contract amount for Bid Item No. 16 was decreased by: <\$5,500.00>**

**Bid Item No. 20 – Traffic Striping (Detail 21)**

An additional forty eight (48) LF of traffic striping detail 21 was installed.

**The original contract amount for Bid Item No. 20 was increased by: \$100.80**

**Bid Item No. 21 – Pavement Marking (Stop Marking + Stop Bar)**

An additional one (1) pavement marking was installed.

The original contract amount for Bid Item No. 21 was increased by: **\$158.00**

**Bid Item No. 22 – Type II Slurry Seal**

A deduct of eighty six (86) SF of type II slurry seal which was not placed.

The original contract amount for Bid Item No. 22 was decreased by: **<\$85.14>**

**Bid Item No. 25 – Street Sweeping**

A deduct of fifteen (15) days street sweeping which were not performed.

The original contract amount for Bid Item No. 25 was decreased by: **<\$5,100.00>**

**Balancing Change Order Total Amount: <\$17,736.34>\***

\*Total Contract amount was decreased by \$17,736.34 primarily because of less street sweeping, not needing the service meter retaining wall and hydrant bollards, and in addition to other bid item adjustments.

**Other Terms Remain in Effect**

This Balancing Change Order fully resolves all cost and time issues related to the work described above, including any indirect effects or the effect of this Balancing Change Order on any other work performed by R.J. Gordon Construction, Inc. This Balancing Change Order dose not modify or supersede any provision of the Contract, unless, and only to the extent, explicitly stated in this Balancing Change Order.

**Signature Block**

Prepared by:

Reviewed and  
Approved by:

Reviewed and  
Approved by:

\_\_\_\_\_  
Feraaydoon Farsi  
District Project Manager  
Pakpour Consulting Group

\_\_\_\_\_  
Joubin Pakpour P.E.  
District Engineer  
Pakpour Consulting Group

\_\_\_\_\_  
Tammy Rudock  
General Manager  
Mid-Peninsula Water  
District



**Project Change Order Summary**

Client: MPWD  
 Project Description: Alameda de las Pulgas Water Main Replacement Project

Project Manager: Feraydoon Farsi  
 Job Number: 10012.15

Change Order No.	Item No.	Date	Description	Total Approved Change Order Cost			
				Client Requested MPWD (Final)	Unforeseen Conditions (Final)	PS&E (Final)	Other (Final)
1	1	05/20/16	Adjust Notice to Proceed Date				\$0.00
1	2	6/13/2016 thru 6/16/16	Sawcutting Additional Asphalt Concrete Thickness		\$3,180.36		
1	3	06/14/16	Removing Concrete Block at Intersection of Arbor Ave and ADLP		\$971.72		
1	4	06/16/16	Unmarked Water Main		\$533.65		
1	5	06/17/16	Abandoned Gas Line		\$2,338.76		
1	6	06/27/16	Repair on Existing Blow-Off		\$852.51		
2	1	06/29/16	Removing 18-inch Thick AC		\$339.73		
2	2	06/30/16	Removing 12-inch Abandon Storm Drain		\$221.23		
2	3	07/07/16	Unmarked Water Main		\$485.96		
2	4	07/21/16	Abandoned 2-inch Irrigation Line		\$1,457.88		
3	1	07/20/16	City of San Mateo Permit	\$132.30			
3	2	07/29/16	Remove 20-LF of Existing PVC Pipe		\$1,224.14		
3	3	08/04/16	Installation of 8-inch MJ Cap at Cipriani Blvd Tie-in		\$832.94		
3	4	08/04/16	Removing Concrete Block at Intersection of Cipriani Blvd and ADLP		\$271.60		
3	5	08/04/16	Exposing and Removing Brick Wall at Intersection of Cipriani Blvd and ADLP		\$512.10		

**Project Change Order Summary**

Client: MPWD  
 Project Description: Alameda de las Pulgas Water Main Replacement Project

Project Manager: Feraydoon Farsi  
 Job Number: 10012.15

Change Order No.	Item No.	Date	Description	Total Approved Change Order Cost			
				Client Requested MPWD (Final)	Unforeseen Conditions (Final)	PS&E (Final)	Other (Final)
3	6	6/6/16 Thru 6/13/16	Two Changeable Message Board (Rent)				(\$550.00)
3	7	06/20/16	Repair a 3/4" Water Service Line Damaged by RJG (Repaired by MPWD)				(\$243.65)
3	8	06/30/16	Trench Plate Shift at Lyon & ADLP (Repaired by MPWD)				(\$565.98)
Balancing	NA	09/30/16	Balancing Change Order				(\$17,736.34)

Change Orders Summary: 

\$132.30	\$13,222.58	\$0.00	(\$19,095.97)
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Change Order No.1     \$7,877.00  
 Change Order No.2     \$2,504.80  
 Change Order No.3     \$1,613.45  
 Balancing Change Order (\$17,736.34)  
 Total                        (\$5,741.09)

		% Increase or Decrease of Original Contract Amount	
Total Client Requested Change Orders (MPWD):	\$132.30	0.0%	-2.3%
Total Unforeseen Conditions Change Orders:	\$13,222.58	2.1%	-230.3%
Total PS&E Change Orders:	\$0.00	0.0%	0.0%
Total Other Change Orders:	(\$19,095.97)	-3.1%	332.6%
<b>TOTAL PROJECT CHANGE ORDERS (a):</b>	<b>(\$5,741.09)</b>	<b>-0.9%</b>	<b>100%</b>

TOTAL ORIGINAL CONTRACT AMOUNT (b): **\$620,807.00**  
 TOTAL REVISED CONTRACT AMOUNT (c) = (a) + (b): **\$615,065.91**

**Alameda de las Pulgas Water Main Replacement Project  
Mid-Peninsula Water District, Belmont, CA  
September 3 thru September 30, 2016**



September 17, 2016 - Striping was completed



September 17, 2016 - Striping was completed

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO

Name Mid-Peninsula Water District

Street Address 3 Dairy Lane
City & State Belmont, CA 94002

SPACE ABOVE THIS LINE FOR RECORDER'S USE
RECORD WITHOUT FEE Govt. Code § 6103 & 27383

NOTICE OF COMPLETION

Notice is hereby given that:

- 1. The undersigned is an authorized agent of the owner of the hereinafter described property.
2. The full name of the undersigned owner is:

NAME ADDRESS CITY AND STATE
Mid-Peninsula Water District 3 Dairy Lane Belmont, CA 94002

- 3. On October 11, 2016, there was completed on the hereinafter described real property located in the City of Belmont, California, the Contract for the construction of the Alameda de las Pulgas Water Main Replacement Project.

The work consisted generally replacement of 1,600 L.F. of existing 8-inch and 6-inch cast iron water main to 8-inch ductile iron water main eliminating old leaking.

- 4. The name of the prime contractor for the work is:

NAME ADDRESS CITY AND STATE
R.J. Gordon Construction, Inc. 2086 Monument Blvd Pleasant Hill, CA 94523

The real property herein referred to is located in the City of Belmont, County of San Mateo, California.

VERIFICATION

I, Candy Piña, declare that I am the Secretary of the Mid-Peninsula Water District and am authorized to make this verification for that reason. I have read said Notice of Completion and know the contents thereof to be true and correct to my knowledge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on (date), 2016, at (place where signed), California

By: Candy Piña, Secretary of the District



**AGENDA ITEM NO. 3.B.**

DATE: October 11, 2016  
TO: Board of Directors  
FROM: Tammy Rudock, General Manager

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**SUBJECT: CONSIDER CANCELLATION OF OCTOBER 27<sup>th</sup> REGULAR BOARD MEETING**

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**RECOMMENDATION**

Cancel the October 27, 2016, regular Board meeting.

**FISCAL IMPACT**

None.

**DISCUSSION**

There are no business items ready for the Board's consideration on October 27<sup>th</sup> and staff felt it appropriate to bring it to the Board's attention. Staff will prepare its October monthly reports, including financials, and those can be transmitted to Directors and posted to the website. Minutes from the September 22, 2016, regular Board meeting and the September check register would be included on the agenda for the regular Board meeting scheduled for November 16, 2016.

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BOARD ACTION: APPROVED:\_\_\_\_\_ DENIED:\_\_\_\_\_ POSTPONED:\_\_\_\_\_ STAFF DIRECTION:\_\_\_\_\_

UNANIMOUS\_\_\_\_\_ ZUCCA\_\_\_\_\_ WARDEN\_\_\_\_\_ STUEBING\_\_\_\_\_ VELLA\_\_\_\_\_ LINVILL\_\_\_\_\_