BOARD MEETING AGENDA
ANNUAL MEETING OF THE BOARD OF DIRECTORS OF
CITRUS HEIGHTS WATER DISTRICT FINANCING CORPORATION
JUNE 19, 2019 beginning at 6:30 PM

DISTRICT ADMINISTRATIVE OFFICE
6230 SYLVAN ROAD, CITRUS HEIGHTS, CA

In compliance with the Americans with Disabilities Act, if you have a disability and need a disability-related modification or accommodation to participate in this meeting, please contact the Secretary at (916) 725-6873. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

CALL TO ORDER:
Upon request, agenda items may be moved to accommodate those in attendance wishing to address that item. Please inform the Secretary.

ROLL CALL OF DIRECTORS:

VISITORS:

PUBLIC COMMENT:
The Public shall have the opportunity to directly address the Board on any item of interest to the public before or during the Board’s consideration of that item pursuant to Government Code Section 54954.3. Public comment on items of interest within the jurisdiction of the Board is welcome. The Presiding Officer will limit comments to three (3) minutes per speaker.

(A) Action Item  (D) Discussion Item  (I) Information Item

CONSENT CALENDAR: (A)
All items under the Consent Calendar are considered to be routine and will be approved by one motion. There will be no separate discussion of these items unless a member of the Board, Audience, or Staff request a specific item be removed for separate discussion/action before the motion to approve the Consent Calendar.

None.

BUSINESS:

B-1. Consideration of Approval of the Minutes of the Annual Meeting of the Citrus Heights Water District Financing Corporation of July 18, 2018 (A)
Review and consider approval of the draft minutes.

B-2. Confirmation / Appointment of CHWD Financing Corporation Officers (A)
Consider confirmation and appointment of Citrus Heights Water District Financing Corporation Officers.

B-3. Status of the CHWD Revenue Refunding Certificates of Participation, Series 2010 (I)
Review the Annual Report for the CHWD Revenue Refunding Certificates of Participation, Series 2010 and other information related to debt financing by the District.
ADJOURNMENT:

CERTIFICATION:
I do hereby certify that this agenda was posted in a location accessible to the public at 6230 SYLVAN ROAD, CITRUS HEIGHTS, CA 95610 at least 72 hours prior to the regular meeting in accordance with Government Code Section 54954.2.

______________________________
Christopher Castruita, Management Services
Supervisor/Chief Board Clerk

Dated: June 13, 2019
The Annual Meeting of the Board of Directors of the Citrus Heights Water District Financing Corporation was called to order at 7:46 PM by President Dains. Present were:

Raymond A. Riehle, President
Caryl F. Sheehan, Vice President
Allen B. Dains, Director
Hilary M. Straus, Secretary
Susan K. Sohal, Chief Financial Officer
David M. Gordon, Operations Manager
Missy Pieri, Engineering Manager
Madeline Henry, Management Services Specialist/Deputy Board Clerk

VISITORS

None.

Confirmation / Appointment of CHWD Financing Corporation Officers

The Board confirmed and appointed the following Citrus Heights Water District Financing Corporation Officers upon a motion by President Riehle and a second by Director Dains and carried 3-0 with all Directors voting yes.

<table>
<thead>
<tr>
<th>Officer</th>
<th>Name</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Raymond A. Riehle</td>
<td>Appoint as President</td>
</tr>
<tr>
<td>Vice President</td>
<td>Caryl F. Sheehan</td>
<td>Appoint as Vice President</td>
</tr>
<tr>
<td>Director</td>
<td>Allen B. Dains</td>
<td>Appoint as Director</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>Susan K. Sohal</td>
<td>Reconfirm as CFO</td>
</tr>
<tr>
<td>Secretary</td>
<td>Hilary M. Straus</td>
<td>Reconfirm as Secretary</td>
</tr>
</tbody>
</table>

Status of the CHWD Revenue Refunding Certificates of Participation, Series 2010

1. Chief Financial Officer Sohal reported that the Citrus Heights Water District Financing Corporation (the Corporation) was formed in July 2000 for the purpose of issuing the $7.9 million in Certificates of Participation (COPs) for the financing of water meter installations and well improvements. Section 3.5 of the Bylaws for the Corporation requires that an annual meeting be held each year. In June 2010, the Corporation authorized the refunding of the Series 2000 COPs with the issuance of the Revenue Refunding COPs, Series 2010, in the amount of $5,155,000. The purpose of this meeting is to review information or developments related to the COP financing and to fulfill a legal requirement for California non-profit corporations.

Included with Directors' agenda packets is a copy of the Continuing Disclosure
Annual Report for the Revenue and Revenue Refunding COPs. This report is a requirement of the District's COP issuance and is generally required for all publicly-traded securities. It is filed with nationally-recognized Municipal Securities Information Repositories where these reports are made available to the public. The Annual Report shows the status of the principal on the COPs and other financial and operating information about the District as of December 31, 2017. The balance outstanding on the COPs at that time was $1,575,000.

The District made two installment payments in 2017 on the Series 2010 COPs for a total of $567,400; $485,000.00 as repayment of principal on the COPs; and $82,400.00 in interest on the debt. The District has five years of payments remaining on this 10-year debt refunding as of December 31, 2017 with an outstanding balance of $1.575 million.

The District’s AA bond rating on its debt was most recently reaffirmed in September 2015 during a review done by S&P every three years. The rating is a continued affirmation of the District’s strong financial policies and financial stability.

2. The debt under the San Juan Water District (SJWD)/CHWD COPs, originally issued in 2003, was not issued under the authority of the CHWD Financing Corporation, since it was done under the authority of the San Juan Suburban Water District Financing Corporation. However, staff has typically reported on the status of the SJWD/CHWD debt issuance at the time of the CHWD Financing Corporation Annual Meeting.

CHWD participated with SJWD in a refunding of the 2003 Series debt that was completed in May 2012. The new debt issuance is identified as the SJWD/CHWD Refunding Revenue Bonds, Series 2012A. This refunding resulted in a savings to SJWD and CHWD over the remaining life of their respective debt. The principal amount outstanding on the Series 2012A bonds as of December 31, 2017 was $1,870,000. CHWD’s annual principal and interest payments on the Series 2012A debt ranges from $167,287.00 to $175,937.00 annually over the remaining life of the debt through its retirement in 2033 with an outstanding balance of $1.87 million.

Payments on the SJWD/CHWD debt issuance are paid quarterly by CHWD to SJWD coincidental with CHWD’s payments to SJWD for wholesale surface water supplies.

Directors and staff discussed the District’s debt issuances.

**ADJOURNMENT**

There being no other business to come before the Board, the meeting was adjourned at 7:51 PM by President Riehle.
Annual Meeting of the Board of Directors of CHWD Financing Corporation
Item B-1
Minutes of July 18, 2018

APPROVED:

HILARY M. STRAUS
Secretary
Citrus Heights Water District
Financing Corporation

CARYL F. SHEEHAN, President
Board of Directors
Citrus Heights Water District
Financing Corporation
AGENDA ITEM: B-2

CITRUS HEIGHTS WATER DISTRICT
FINANCING CORPORATION

DISTRIBUT STAFF REPORT TO BOARD OF DIRECTORS
OF THE CHWD FINANCING CORPORATION
JUNE 19, 2019 ANNUAL MEETING

SUBJECT: CONFIRMATION / APPOINTMENT OF CHWD FINANCING CORPORATION OFFICERS

STATUS: Action Item
REPORT DATE: June 4, 2019
PREPARED BY: Susan K. Talwar, Administrative Services Manager

OBJECTIVE:
Consider confirmation and appointment of Citrus Heights Water District Financing Corporation Officers.

BACKGROUND AND ANALYSIS:

In light of the change in one of the Board the following proposed changes are noted below.

Existing Officers:

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Raymond A. Riehle</td>
</tr>
<tr>
<td>Vice President</td>
<td>Caryl F. Sheehan</td>
</tr>
<tr>
<td>Director</td>
<td>Vacant</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>Susan K. Talwar</td>
</tr>
<tr>
<td>Secretary</td>
<td>Hilary M. Straus</td>
</tr>
</tbody>
</table>

Proposed Officers:

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Caryl F. Sheehan</td>
<td>Appoint as President</td>
</tr>
<tr>
<td>Vice President</td>
<td>Raymond A. Riehle</td>
<td>Appoint as Vice President</td>
</tr>
<tr>
<td>Director</td>
<td>David C. Wheaton</td>
<td>Appoint as Director</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>Susan K. Talwar</td>
<td>Reconfirm as CFO</td>
</tr>
<tr>
<td>Secretary</td>
<td>Hilary M. Straus</td>
<td>Reconfirm as Secretary</td>
</tr>
</tbody>
</table>

RECOMMENDATION:

Confirm and appoint the following Citrus Heights Water District Financing Corporation Officers:

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Caryl F. Sheehan</td>
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<td>Susan K. Talwar</td>
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</tr>
<tr>
<td>Secretary</td>
<td>Hilary M. Straus</td>
<td>Reconfirm as Secretary</td>
</tr>
</tbody>
</table>
**ACTION:**

Moved by Director _________________, Seconded by Director _________________, Carried__________
CITRUS HEIGHTS WATER DISTRICT
FINANCING CORPORATION

DISTRICT STAFF REPORT TO
BOARD OF DIRECTORS OF THE CHWD FINANCING CORPORATION
JUNE 19, 2019 ANNUAL MEETING

SUBJECT : STATUS OF THE CITRUS HEIGHTS WATER DISTRICT REVENUE
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2010
STATUS : Information / Discussion Item
REPORT DATE : June 4, 2019
PREPARED BY : Alberto Preciado, Accounting Supervisor
               Susan K. Talwar, Administrative Services Manager

OBJECTIVE:
1. Approve the draft Annual Report for the Citrus Heights Water District (CHWD) Revenue Refunding Certificates of Participation, Series 2010 and other information related to debt financing by the District.
2. Authorize Staff to file Annual Report as required to, the federal self-regulated organization, Municipal Securities Rulemaking Board (MSRB).

BACKGROUND AND ANALYSIS:
1. The Citrus Heights Water District Financing Corporation (the Corporation) was formed in July 2000 for the purpose of issuing the $7.9 million in Certificates of Participation (COPs) for the financing of water meter installations and well improvements. Section 3.5 of the Bylaws for the Corporation requires that an annual meeting be held each year. In June 2010, the Corporation authorized the refunding of the Series 2000 COPs with the issuance of the Revenue Refunding COPs, Series 2010, in the amount of $5,155,000. The purpose of this meeting is to review information or developments related to the COP financing and to fulfill a legal requirement for California non-profit corporations.

Included with Directors' agenda packets is a draft of the Continuing Disclosure Annual Report for the Revenue and Revenue Refunding COPs (Attachment 1). This report is a requirement of the District's COP issuance and is generally required for all publicly-traded securities. It is filed with the Electronic Municipal Market Access (EMMA) data service of the MSRB, where these reports are made available to the public. The Annual Report shows the status of the principal on the COPs and other financial and operating information about the District as of December 31, 2018. The balance outstanding on the COPs at that time was $1,070,000.

The District made two installment payments in 2018 on the Series 2010 COPs for a total of $568,000; $505,000 as repayment of principal on the COPs; and $63,000 in interest on the debt. The District has two years of payments remaining on this 10-year debt refunding as of December 31, 2018 (Attachment 2) with an outstanding balance of $1.070 million.

The District’s AA bond rating on its debt was most recently reaffirmed in September 2015 during a review completed by Standard and Poor’s (S&P). The rating is a continued affirmation of the District’s strong financial policies and financial stability.
2. The debt under the San Juan Water District (SJWD)/CHWD COPs, originally issued in 2003, was not issued under the authority of the CHWD Financing Corporation, since it was done under the authority of the San Juan Suburban Water District Financing Corporation. However, staff has typically reported on the status of the SJWD/CHWD debt issuance at the time of the CHWD Financing Corporation Annual Meeting.

CHWD participated with SJWD in a refunding of the 2003 Series debt that was completed in May 2012. The new debt issuance is identified as the SJWD/CHWD Refunding Revenue Bonds, Series 2012A. This refunding resulted in a savings to SJWD and CHWD over the remaining life of their respective debt. The principal amount outstanding on the Series 2012A bonds as of December 31, 2018 was $1,705,000. CHWD’s annual principal and interest payments on the Series 2012A debt ranges from $168,325 to $175,937 annually over the remaining life of the debt through its retirement in 2033 with an outstanding balance of $1.705 million.

Payments on the SJWD/CHWD debt issuance are paid quarterly by CHWD to SJWD coincidental with CHWD’s payments to SJWD for wholesale surface water supplies.

**RECOMMENDATION:**

1. Approve the draft Annual Report for the CHWD Revenue Refunding Certificates of Participation, Series 2010.
2. Authorize Staff to file Annual Report as required to the MSRB.

**ATTACHMENTS:**

ATTACHMENT 1

2018 Continuing Disclosure Annual Report (Draft)
CITRUS HEIGHTS WATER DISTRICT
REVENUE REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2010
(BANK QUALIFIED)

MATURITY DATE
(October 1) CUSIP*
2019 177495 AZ1
2020 177495 BA5

SAN JUAN WATER DISTRICT
REVENUE REFUNDING BONDS
(SAN JUAN AND CITRUS HEIGHTS PROJECTS)
SERIES 2012A

MATURITY DATE
(February 1) CUSIP*
2020 798326 AH7
2021 798326 AJ3
2022 798326 AK0
2023 798326 AL8
2025 798326 AN4
2033 798326 AM6

* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital Global Market Intelligence. Copyright © 2019 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way a substitute for the CUSIP Global Services. CUSIP® numbers are provided for convenience of reference only. Citrus Heights Water District does not take any responsibility for the accuracy of such numbers.
INTRODUCTION

THIS CONTINUING DISCLOSURE ANNUAL REPORT, dated June 10, 2019 (the “Annual Report”) has been prepared to satisfy the obligations of the Citrus Heights Water District (the “District”).

Definitions

Unless otherwise required, the following are the defined terms for this Annual Report.

2010 Certificates. 2010 Certificates means the Citrus Heights Water District Revenue Refunding Certificates of Participation, Series 2010, executed and delivered on September 1, 2010.

2010 Disclosure Agreement. 2010 Disclosure Agreement means that certain Continuing Disclosure Agreement, dated September 1, 2010, executed by the District in connection with the execution and delivery of the 2010 Certificates.


Debt Obligations. Debt Obligations means the 2010 Certificates and the 2012 Bonds.


EMMA. EMMA means the Electronic Municipal Market Access, a service of the Municipal Securities Rulemaking Board.

Fiscal Year. Fiscal Year means the period beginning on January 1 of each year and ending on the last day of December of such year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.


San Juan. San Juan means the San Juan Water District.
Delivery of the Annual Report

The District has agreed under the Disclosure Documents to provide certain annual financial information and operating data and notices of significant events. These covenants have been made in order to assist the underwriters of the Debt Obligations in complying with the Rule. As provided in Section 3 of the Disclosure Documents, this Annual Report is being prepared for publication with EMMA for the benefit of the owners of the Debt Obligations and the underwriters. Capitalized terms used in the Disclosure Certificates, which are not otherwise defined herein, shall have the respective meaning specified in the Official Statement.

The following is information as required under Section 4 of the Disclosure Documents.

AUDITED FINANCIAL STATEMENTS

The audited financial statements of the District for the Fiscal Year ending December 31, 2018 are attached hereto as Appendix A.

PRINCIPAL AMOUNTS OUTSTANDING

2010 Certificates

As of the date of this Annual Report, the outstanding principal amount on the 2010 Certificates is $1,070,000.

2012 Bonds

As of the date of this Annual Report, the outstanding principal amount of the 2012 Installment Purchase Agreement attributable to the District in connection with the 2012 Bonds is $1,705,000.

RESERVE FUND REQUIREMENTS

2010 Certificates

Pursuant to the 2010 Certificates Trust Agreement, the District is required to establish the Reserve Fund (the “2010 Reserve Fund”) in an amount equal to $536,949.37, the 2010 Reserve Fund Requirement. As of the date of this Annual Report, the balance in the 2010 Reserve Fund is $544,978.76, based on federal costs for portions of certain investments.

2012 Bonds

Pursuant to the 2012 Bonds Indenture, there is no debt service reserve fund.
FINANCIAL INFORMATION AND OPERATING DATA

Water Deliveries

The following table summarizes water deliveries in acre feet for the last Fiscal Year.

CITRUS HEIGHTS WATER DISTRICT
WATER DELIVERIES (in acre feet)
Fiscal Year 2018

<table>
<thead>
<tr>
<th>Treated Water Deliveries</th>
<th>Groundwater Deliveries</th>
<th>Total Water Deliveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,941</td>
<td>1,041</td>
<td>10,982</td>
</tr>
</tbody>
</table>

Source: Citrus Heights Water District.

Service Connections

The following table represents a summary of average service connections to the Water System for the last Fiscal Year.

CITRUS HEIGHTS WATER DISTRICT
SERVICE CONNECTIONS
Fiscal Year 2018

<table>
<thead>
<tr>
<th>Service Connections</th>
<th>Percent Increase/(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19,911</td>
<td>0.05%</td>
</tr>
</tbody>
</table>

Source: Citrus Heights Water District.

Water Sales Revenues

The following table shows annual water sales revenues of the District for Fiscal Years 2015 to 2018.

CITRUS HEIGHTS WATER DISTRICT
WATER SALES REVENUES

<table>
<thead>
<tr>
<th>Fiscal Year Ending December 31</th>
<th>Sales Revenues</th>
<th>Percent Increase/(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$14,119,865</td>
<td>5.0%</td>
</tr>
<tr>
<td>2017</td>
<td>$13,448,691</td>
<td>15.9%</td>
</tr>
<tr>
<td>2016</td>
<td>$11,602,622</td>
<td>16.6%</td>
</tr>
<tr>
<td>2015</td>
<td>$9,953,864</td>
<td>(2.1)%</td>
</tr>
</tbody>
</table>

Source: Citrus Heights Water District.
Water System Rates and Charges

The table below lists the annual water system rates and the percentage rate increases approved by the Board of Directors of the District for the last Fiscal Year for single family residences.

CITRUS HEIGHTS WATER DISTRICT
WATER SYSTEM RATES AND CHARGES – SINGLE FAMILY RESIDENCES
Fiscal Year 2018

<table>
<thead>
<tr>
<th>Annual Rate</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>$690.77</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Citrus Heights Water District. 1" meter bi-monthly service charge with 20 units of water consumption.

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Operating Results and Debt Service Coverage

The following table is a summary of operating results for the most recently completed fiscal year. These results have been derived from the District’s Financial Statements but exclude certain non-cash items and include certain other adjustments.

CITRUS HEIGHTS WATER DISTRICT
OPERATING RESULTS
FISCAL YEAR ENDED DECEMBER 31, 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>$14,119,865</td>
</tr>
<tr>
<td>Capacity Fees, Other Fees and Charges</td>
<td>$255,179</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>$159,437</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$107,546</td>
</tr>
<tr>
<td>Transfer to Rate Stabilization Reserve</td>
<td>$(100,000)</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$14,542,027</td>
</tr>
<tr>
<td><strong>Operation and Maintenance Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Water Purchases</td>
<td>$2,878,799</td>
</tr>
<tr>
<td>Pumping &amp; Well Maintenance</td>
<td>$717,562</td>
</tr>
<tr>
<td>Transmission &amp; Distribution</td>
<td>$2,142,451</td>
</tr>
<tr>
<td>Administrative &amp; General and Conservation</td>
<td>$3,792,627</td>
</tr>
<tr>
<td><strong>Total Operation and Maintenance Expenses</strong></td>
<td>$9,531,439</td>
</tr>
<tr>
<td><strong>Net Revenues</strong></td>
<td>$5,010,588</td>
</tr>
<tr>
<td><strong>Parity Debt Service</strong></td>
<td></td>
</tr>
<tr>
<td>2010 Installment Purchase Agreement</td>
<td>$568,000</td>
</tr>
<tr>
<td>2012 Installment Purchase Agreement</td>
<td>$167,938</td>
</tr>
<tr>
<td><strong>Total Parity Debt Service</strong></td>
<td>$735,938</td>
</tr>
<tr>
<td><strong>Total Debt Service Coverage</strong></td>
<td>6.81x</td>
</tr>
<tr>
<td>Citrus Heights Revenues Available for other Purposes</td>
<td>$4,274,651</td>
</tr>
</tbody>
</table>

Source: Citrus Heights Water District.

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CERTAIN DISCLAIMERS

The information contained in this Annual Report expresses only the views of the applicable party. An explanation of the significance of any such information may be obtained from the applicable party; provided, however, that no information provided by any party is incorporated in this Annual Report. The District undertakes no responsibility to oppose any revision or withdrawal of such information contained in this Annual Report.

To the extent the District provides information in this Annual Report, the District is not obligated to present or update information in future Annual Reports. Investors are advised to refer to the applicable Official Statement for the Debt Obligations for information concerning the initial issuance of and security for the Debt Obligations.

By providing the information in this Annual Report, the District does not imply or represent (a) that all information provided in this Annual Report is material to investors' decisions regarding investment in the Debt Obligations, (b) the completeness or accuracy of any financial, operational or other information not included herein or in the Official Statements, (c) that no changes, circumstances or events have occurred since the date of this Annual Report (other than as contained herein), or (d) that no other information exists which may have a bearing on the District's financial condition, the security for the Debt Obligations or an investor's decision to buy, sell or hold the Debt Obligations.

The information set forth in this Annual Report or incorporated in this Annual Report has been furnished by the District and is believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in or incorporated by this Annual Report which involves estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained in this Annual Report or incorporated in this Annual Report are subject to change without notice and the delivery of this Annual Report will not, under any circumstances, create any implication that there has been no change in the affairs of the District. The District is relying upon and has not independently confirmed or verified the accuracy or completeness of information provided by others or other information incorporated by reference therein.

No statement contained in this Annual Report should be construed as a prediction or representation about future financial performance of the District. Historical results presented herein may not be indicative of future operating results.
CONCLUSION

The information set forth in this Annual Report has been obtained from sources believed by the District to be reliable and is fairly presented.

CITRUS HEIGHTS WATER DISTRICT

________________________________________
Hilary M. Straus
General Manager
APPENDIX A

AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED DECEMBER 31, 2018
ATTACHMENT 2

Series 2010 COP Debt Service Schedule
DEBT SERVICE SCHEDULE

Set forth below is a schedule of Installment Payments for each annual period ending on October 1 of the years indicated. (Series 2003 Installment Payments, which are payable from Net Revenues on a parity with the Installment Payments, are below under "DISTRICT FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverages.")

<table>
<thead>
<tr>
<th>Annual Period (October 1)</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$485,000</td>
<td>$14,275</td>
<td>$499,275</td>
</tr>
<tr>
<td>2011</td>
<td>410,000</td>
<td>161,600</td>
<td>571,600</td>
</tr>
<tr>
<td>2012</td>
<td>420,000</td>
<td>153,400</td>
<td>573,400</td>
</tr>
<tr>
<td>2013</td>
<td>425,000</td>
<td>145,000</td>
<td>570,000</td>
</tr>
<tr>
<td>2014</td>
<td>435,000</td>
<td>132,250</td>
<td>567,250</td>
</tr>
<tr>
<td>2015</td>
<td>450,000</td>
<td>119,200</td>
<td>569,200</td>
</tr>
<tr>
<td>2016</td>
<td>470,000</td>
<td>101,200</td>
<td>571,200</td>
</tr>
<tr>
<td>2017</td>
<td>485,000</td>
<td>82,400</td>
<td>567,400</td>
</tr>
<tr>
<td>2018</td>
<td>505,000</td>
<td>63,000</td>
<td>568,000</td>
</tr>
<tr>
<td>2019</td>
<td>525,000</td>
<td>42,800</td>
<td>567,800</td>
</tr>
<tr>
<td>2020</td>
<td>545,000</td>
<td>21,800</td>
<td>566,800</td>
</tr>
<tr>
<td>Totals</td>
<td>$5,155,000</td>
<td>$1,036,925</td>
<td>$6,191,925</td>
</tr>
</tbody>
</table>

Source: The District

SECURITY AND SOURCES OF PAYMENT FOR THE 2010 CERTIFICATES

Pledge Under the Installment Purchase Agreement

Pursuant to the Installment Purchase Agreement, all Revenues and all amounts on deposit in the Revenue Fund are irrevocably pledged to the payment of the Series 2010 Installment Payments as provided by the Installment Purchase Agreement and the Revenues will not be used for any other purpose while any of the Series 2010 Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Purchase Agreement. Such pledge constitutes a first and exclusive lien on Revenues and, subject to application of amounts on deposit therein as permitted by the Installment Purchase Agreement the Revenue Fund and the other funds and accounts created by the Installment Purchase Agreement for the payment of the Series 2010 Installment Payments, the 2003 Installment Payments and all other Contracts and Bonds in accordance with the terms of the Installment Purchase Agreement and the Trust Agreement.

The Series 2010 Installment Payments are payable from Net Revenues, being Revenues of the District remaining after payment of Operation and Maintenance Costs of the Water System. Revenues are defined in the Installment Purchase Agreement to mean, for any fiscal year of the District, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, including, without limiting the generality of the foregoing; (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; (2) the earnings on and income derived from the investment of amounts described in the Installment Purchase Agreement and from District reserves; and (3) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of the Water System; but excluding: (a) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District and (b) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations heretofore or hereafter issued. Revenues shall also include all amounts transferred from the Rate Stabilization Reserve to the Revenue Fund during any Fiscal Year in accordance with the Installment Purchase Agreement and shall not include any