

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 25, 2013

NEW ISSUE—FULL BOOK ENTRY

RATINGS:

S&P: "AA-" (Stable Outlook) (AGM-insured)

S&P: "A+" (Stable Outlook) (Underlying)

See "RATINGS" herein

In the opinion of Quint & Thimmig LLP, San Francisco, 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.



\$13,520,000*
CERTIFICATES OF PARTICIPATION
(2013 Refinancing Project)
Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Installment Payments to be Made by the
WOODBRIDGE IRRIGATION DISTRICT
(San Joaquin County, California)
As the Purchase Price for Certain Property
Pursuant to an Installment Sale Agreement with the
Woodbridge Irrigation District Public Facilities Financing Corporation

Dated: Date of Delivery

Due: July 1, as shown on the Inside Cover

The captioned certificates of participation (the "Certificates") are being executed and delivered to provide funds to (a) refinance the acquisition and construction of certain improvements and facilities which constitute part of the water system (the "Water System") of the Woodbridge Irrigation District (the "District") and, in particular, to provide for the refunding of (i) the District's outstanding 2003 Revenue Certificates of Participation (2003 Water System Project), originally delivered in the principal amount of \$11,745,000, of which \$10,655,000 is currently outstanding, and (ii) the District's outstanding Certificates of Participation (2007 Capital Improvement Project), originally delivered in the principal amount of \$3,335,000, of which \$3,015,000 is currently outstanding, (b) purchase a reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund for the Certificates and (c) 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 April 1, 2013 (the "Installment Sale Agreement"), with the Woodbridge Irrigation District Public Facilities Financing Corporation (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 (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, New York, New York (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 January 1 and July 1, commencing July 1, 2013. 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, as described 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 1.20 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.

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY MUNICIPAL CORP.



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 JOAQUIN 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 Thursday, April 4, 2013, *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 March 22, 2013.

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, San Francisco, California, as Special Counsel. Certain matters will be passed upon for the District by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Certificates will be available for delivery to DTC in New York, New York, on or about April 18, 2013.

Dated: April __, 2013

*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.

\$13,520,000*
CERTIFICATES OF PARTICIPATION
(2013 Refinancing Project)
Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Installment Payments to be Made by the
WOODBIDGE IRRIGATION DISTRICT
(San Joaquin County, California)
As the Purchase Price for Certain Property
Pursuant to an Installment Sale Agreement with the
Woodbridge Irrigation District Public Facilities Financing Corporation

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

CUSIP+ Prefix: _____

<u>Maturity</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP+</u> <u>Suffix</u>
2013	\$380,000			
2014	285,000			
2015	290,000			
2016	290,000			
2017	295,000			
2018	300,000			
2019	300,000			
2020	310,000			
2021	315,000			
2022	320,000			
2023	335,000			
2024	350,000			
2025	360,000			
2026	370,000			
2027	385,000			
2028	400,000			
2029	415,000			
2030	425,000			
2031	440,000			
2032	455,000			
2033	480,000			
2034	495,000			
2035	520,000			
2036	540,000			
2037	555,000			
2038	590,000			
2039	605,000			
2040	635,000			
2041	660,000			
2042	695,000			
2043	725,000			

*Preliminary, subject to change.

†Copyright 2013, 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.

WOODBIDGE IRRIGATION DISTRICT

P.O. Box 580
18750 North Lower Sacramento Road
Woodbridge, California 95258
(209) 625-8438

DISTRICT AND CORPORATION BOARD OF DIRECTORS

William Stokes, *President*
Ed Lucchesi, *Vice President*
Avery McQueen
Bill Shinn
Henry P. Van Exel

DISTRICT STAFF

Anders Christensen, *Manager/Secretary/Treasurer*
Todd VerSteeg, *Superintendent*

PROFESSIONAL SERVICES

Quint & Thimmig LLP
San Francisco, California
Special Counsel and Disclosure Counsel

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

Wulff, Hansen & Co.
San Francisco, California
Financial Advisor

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 Certificates 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 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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and APPENDIX F—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

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.

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OFFICIAL STATEMENT

\$13,520,000*

CERTIFICATES OF PARTICIPATION

(2013 Refinancing Project)

**Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Installment Payments to be Made by the**

WOODBIDGE IRRIGATION DISTRICT

(San Joaquin County, California)

**As the Purchase Price For Certain Property Pursuant to an
Installment Sale Agreement with the**

Woodbridge Irrigation District Public Facilities Financing Corporation

INTRODUCTION

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 (2013 Refinancing Project) (the "Certificates"), in aggregate principal amount of \$13,520,000,* representing the direct, undivided fractional interests of the registered owners thereof (the "Owners") in installment payments (the "Installment Payments") to be made by the Woodbridge Irrigation 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 April 1 2013 (the "Installment Sale Agreement"), by and between the Woodbridge Irrigation District Public Facilities Financing Corporation (the "Corporation") and the District. The Certificates are being executed and delivered to (a) refinance the acquisition and construction of certain improvements and facilities which constitute part of the Water System and, in particular, to provide for the refunding of (i) the District's outstanding 2003 Revenue Certificates of Participation (2003 Water System Project), originally delivered in the principal amount of \$11,745,000, of which \$10,655,000 is currently outstanding, and (ii) the District's outstanding Certificates of Participation (2007 Capital Improvement Project), originally delivered in the principal amount of \$3,335,000, of which \$3,015,000 is currently outstanding, (b) purchase a reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund for the Certificates, and (c) pay costs of the financing, all as more fully described herein.

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of April 1 2013 (the "Trust Agreement"), by and among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as trustee (the "Trustee"). Pursuant to an Assignment Agreement, dated as of April 1 2013 between the Corporation and the Trustee (the "Assignment Agreement"), the Corporation will assign to the Trustee, for the benefit of the Owners, and to AGM (hereinafter defined) 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 Water System 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

* Preliminary, subject to change.

Water System Revenues” are the Gross Water 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 Water System Revenues equal to at least 1.20 times the aggregate annual payment requirements with respect to the Installment Sale Agreement and any parity obligations in such Fiscal Year.

A Reserve Fund, equal to the Reserve Requirement, will be established and maintained by the Trustee pursuant to the Trust Agreement, initially in the form of the Reserve Fund Insurance Policy (as hereinafter defined). Money in the Reserve Fund will be used by the Trustee in the event amounts in the Installment Payment Fund are insufficient to pay principal and/or interest with respect to the Certificates. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Reserve Fund.”

THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS CONSTITUTES A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET WATER SYSTEM 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 scheduled payment of the principal and interest with respect to the Certificates when due will be guaranteed under a municipal bond insurance policy (the “Municipal Bond Insurance Policy”) to be issued by Assured Guaranty Municipal Corp. (“AGM”) simultaneously with the delivery of the Certificates. See “MUNICIPAL BOND INSURANCE.” In addition, AGM has made a commitment to issue a municipal bond insurance policy for the Reserve Fund (the “Reserve Fund Insurance Policy”) in an amount equal to the Reserve Requirement. See “SOURCES OF PAYMENT FOR THE CERTIFICATES—Reserve Fund.”

For certain financial information with respect to the Water System, see the heading “DISTRICT WATER SYSTEM—Statement of Revenues, Expenses and Changes in Net Assets” and “—Projected Operating Results.”

The District will covenant, in a Continuing Disclosure Certificate, to prepare and deliver an annual report to the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system. See “CONTINUING DISCLOSURE” and APPENDIX D—“FORM OF CONTINUING DISCLOSURE CERTIFICATE” for a description of the specific nature of the annual report and notices of material events and a summary description of the terms of the Continuing Disclosure Certificate pursuant to which such reports and notices are to be made.

ESTIMATED SOURCES AND USES OF FUNDS

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

SOURCES:

Par Amount of Certificates
Plus: Original Issue Premium
Less: Underwriter's Discount
Total Sources of Funds

USES:

Deposit to 2003 Escrow Fund (1)
Deposit to 2007 Escrow Fund (2)
Deposit to Delivery Costs Fund (3)
Total Uses of Funds

- (1) Amounts deposited in the 2003 Escrow Fund will be applied to the redemption of the 2003 Certificates on July 1, 2013. See "THE REFUNDING PLAN—Refunding of the 2003 Certificates."
- (2) Amounts deposited in the 2007 Escrow Fund will be applied to the redemption of the 2007 Certificates on July 1, 2013. See "THE REFUNDING PLAN—Refunding of the 2007 Certificates."
- (3) 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 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 and the premiums for the Municipal Bond Insurance Policy and the Reserve Fund Insurance Policy.

THE REFUNDING PLAN

The Certificates are being executed and delivered to (a) refund the 2003 Certificates and the 2007 Certificates, (b) purchase the Reserve Fund Insurance Policy in lieu of cash funding a reserve fund for the Certificates, and (c) pay the costs of the transaction.

Refunding of the 2003 Certificates

The 2003 Certificates were executed and delivered pursuant to the terms of a trust agreement, dated as of October 1, 2003, by and among the District, the Corporation and the Authority and BNY Western Trust Company, since succeeded by The Bank of New York Mellon Trust Company, N.A. In order to provide for the payment of the 2003 Certificates, the Corporation sold certain real property and improvements to the District pursuant to an installment sale agreement, dated as of October 1, 2003 (the "2003 Installment Sale Agreement"), under which the District agreed to make installment payments to the Corporation from the Net Water System Revenues. The 2003 Certificates were executed and delivered to improvements to the Water System.

A portion of the proceeds of the Certificates, in the gross amount necessary to redeem the outstanding 2003 Certificates in full on July 1, 2013 (the "Redemption Date"), at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, will be deposited in an escrow fund (the "2003 Escrow Fund") held in trust by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), under an escrow deposit and trust agreement with the District. The amounts deposited will be held in cash until the Redemption Date.

Upon the delivery of the Certificates and the deposit in the 2003 Escrow Fund of moneys sufficient to provide for the redemption of the 2003 Certificates, the 2003 Certificates will be

deemed defeased and no longer outstanding. The holders of the 2003 Certificates will be entitled to payment solely out of the moneys or securities deposited in the 2003 Escrow Fund.

Refunding of the 2007 Certificates

The 2007 Certificates were executed and delivered pursuant to the terms of a trust agreement, dated as of January 1, 2007, by and among the District, the Corporation and the Authority and The Bank of New York Trust Company, N.A., since succeeded by The Bank of New York Mellon Trust Company, N.A. In order to provide for the payment of the 2007 Certificates, the Corporation sold certain real property and improvements to the District pursuant to an installment sale agreement, dated as of January 1, 2007 (the "2007 Installment Sale Agreement"), under which the District agreed to make installment payments to the Corporation from the Net Water System Revenues. The 2007 Certificates were executed and delivered to improvements to the Water System.

A portion of the proceeds of the Certificates, in the gross amount necessary to redeem the outstanding 2007 Certificates in full on the Redemption Date, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, will be deposited in an escrow fund (the "2007 Escrow Fund") held in trust by the Escrow Bank, under an escrow deposit and trust agreement with the District. The amounts deposited will be held in cash until the Redemption Date.

Upon the delivery of the Certificates and the deposit in the 2007 Escrow Fund of moneys sufficient to provide for the redemption of the 2007 Certificates, the 2007 Certificates will be deemed defeased and no longer outstanding. The holders of the 2007 Certificates will be entitled to payment solely out of the moneys or securities deposited in the 2007 Escrow Fund.

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 January 1 and July 1, commencing July 1, 2013 (each, an "Interest Payment Date"), and will be payable on July 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, New York, New York ("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 July 1, 2022, are not subject to optional redemption prior the respective stated maturities. The Certificates maturing on or after July 1, 2023, are subject to optional redemption in whole or in part on any date on or after July 1, 2022, 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.

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 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 Water System 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.

Reserve Fund

The Trust Agreement provides that the Trustee will establish and maintain a reserve fund (the "Reserve Fund"). Pursuant to the Trust Agreement, immediately after the execution and delivery of the Certificates, the amount deposited in (or credited to) the Reserve Fund will equal the "Reserve Requirement." Except as otherwise expressly provided in the Trust Agreement, all money in the Reserve Fund will be held in trust as a reserve for the payment when due of the Installment Payments on behalf of the District. "Reserve Requirement" means, as of any date of calculation, an amount equal to \$_____, which is equal to _____.

AGM will issue the Reserve Fund Insurance Policy, effective as of the date of delivery of the Certificates in an amount equal to the Reserve Requirement.

Special Obligation of the District

The District's obligation to pay the Installment Payments shall be a special obligation limited solely to Net Water System Revenues. Under no circumstances shall the District be required to advance any moneys derived from any source of income other than the Net Water System 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 Water System 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 Water System 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 Water System Revenues; Deposits to Pay Installment Payments; Release from Lien

Pledge of Net Water System 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 Water System Revenues, and Net Water System 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 Water System 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 Water System 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 this 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 Water System Revenues equal to 1.20 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 Water System Revenues

No Obligations Superior to Installment Payments. In order to protect further the availability of the Net Water System 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 Water System 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 this Installment Sale Agreement;

(ii) The Net Water System 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 prepare 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 Water System 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 Water System 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.

The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Parity Debt set forth in the Installment Sale Agreement 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 (b)(iii) or (iv) 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.

The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Parity Debt set forth in the Installment Sale Agreement 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 this Installment Sale Agreement;

(ii) Net Water System 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

(iii) Interest payments on such Subordinate Debt shall be payable on August 1 and July 1, and principal payments on such Subordinate Debt shall be payable on July 1.

Adjustment to Net Water System Revenues. Either or both of the following items may be added to such Net Water System Revenues for the purpose of determining the ability of the District to issue or incur Parity Debt or Subordinate Debt:

(i) 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 Water System Revenues from any such additions, improvements or extensions which have been constructed from any source of funds 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 Water System Revenues to be derived from such additions, improvements and extensions for the first 36-month period following issuance 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 Water System Revenues.

(ii) 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 Water System 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 consultant employed by the District.

The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Parity Debt set forth in the Installment Sale Agreement have been satisfied.

Additional Payments

In addition to the Installment Payments, the District shall pay, from Net Water System Revenues, when due, all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement and this 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.

Payments to Reserve Fund

In addition to the Installment Payments, the District shall pay to the Trustee, from Net Water System Revenues, such amounts as shall be required to replenish the Reserve Fund in the event of a draw therefrom or a valuation determines that a deficiency exists therein, all in accordance with the Trust Agreement.

Installment Payments

Installment Payments are required to be made by the District under the Installment Sale Agreement on the fifteenth (15th) day of each January and July (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 July 1	<u>Principal*</u>	<u>Interest</u>	<u>Total</u>
2013	\$380,000		
2014	285,000		
2015	290,000		
2016	290,000		
2017	295,000		
2018	300,000		
2019	300,000		
2020	310,000		
2021	315,000		
2022	320,000		
2023	335,000		
2024	350,000		
2025	360,000		
2026	370,000		
2027	385,000		
2028	400,000		
2029	415,000		
2030	425,000		
2031	440,000		
2032	455,000		
2033	480,000		
2034	495,000		
2035	520,000		
2036	540,000		
2037	555,000		
2038	590,000		
2039	605,000		
2040	635,000		
2041	660,000		
2042	695,000		
2043	725,000		

*Preliminary, subject to change.

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 Water System 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 January 1 and July 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 January 1 and July 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 June 15 or December 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.

MUNICIPAL BOND INSURANCE

AGM has supplied the following information for inclusion in this Official Statement. Neither the District nor the Underwriter makes any representation as to the accuracy or completeness of this information or as to the absence of material adverse changes in this information subsequent to the date hereof. Reference is made to APPENDIX F—SPECIMEN MUNICIPAL BOND INSURANCE POLICY for a specimen of the Municipal Bond Insurance Policy to be issued by AGM.

The Municipal Bond Insurance Policy

Concurrently with the delivery of the Certificates, AGM will issue the Municipal Bond Insurance Policy. The Municipal Bond Insurance Policy guarantees the scheduled payment of principal and interest with respect to the Certificates when due as set forth in the form of the Municipal Bond Insurance Policy included as APPENDIX F—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

The Municipal Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of the shareholders of AGL or AGM is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 17, 2013, Moody's issued a press release stating that it had downgraded AGM's insurance financial strength rating to "A2" (stable outlook) from "Aa3". AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moody's.com, for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Capitalization of AGM

At December 31, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,324,781,247 and its total net unearned premium reserve was approximately \$2,090,197,521, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (filed by AGL with the SEC on March 1, 2013).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption “MUNICIPAL BOND INSURANCE—Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Certificates or any uninsured bonds offered under this Official Statement such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate and may hold such Certificates or uninsured bonds for investment or may sell or otherwise dispose of such Certificates or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “MUNICIPAL BOND INSURANCE.”

THE WOODBRIDGE IRRIGATION DISTRICT

General

The District is a public entity organized in 1924 under the Irrigation District Law of the California Water Code. The District has the powers under the Irrigation District Law to, among other things, provide water service within its geographic boundaries (an area of 63 square miles). The District is also authorized to lease or sell the use of any of its water supply that is not necessary for use within the District. The District is the supplier of irrigation water for

approximately 13,000 acres (approximately 20 square miles) presently receiving surface water within its water service area. The District's current water service area constitutes approximately 4% of the area of San Joaquin County, west of the City of Lodi ("Lodi") and north of the City of Stockton ("Stockton"). The District service area includes the unincorporated communities of Woodbridge and Thornton, and small portions of the incorporated municipalities of Lodi and Stockton. Water sold to Lodi under the Lodi Water Sales Agreement (hereinafter described) is expected to be used by Lodi for municipal purposes within Lodi's municipal water system. Water sold to Stockton under the Stockton Water Sales Agreement (hereinafter described) is expected to be used by Stockton for municipal purposes within Stockton's municipal water system.

The District obtains its water supply primarily from the Mokelumne River. The District diverts its water supply from the Mokelumne River at the Woodbridge Diversion Dam under pre-1914 appropriative rights. These appropriative rights provide for the diversion of up to 300 cubic feet per second ("CFS"), equivalent to 448.83 gallons per minute, of water at Woodbridge Diversion Dam. The District's pre-1914 water rights are overlapped and augmented by the District's post-1914 water rights for the appropriation of 300 CFS from February 1 to October 31 for irrigation use, and for the diversion of an additional 114.4 CFS from May 1 to August 31 of each year and from November 1 of each year to January 31 of the succeeding year, for irrigation use (Licenses 5945 and 8214). The combined pre-1914 and post-1914 water rights are limited in the aggregate to a maximum diversion of 414.4 CFS. The District owns and operates the Woodbridge Diversion Dam and fish screen, Moffit Weir on Pixley Slough, the Beaver Slough pump diversion and a water distribution system for the purpose of providing water deliveries primarily to agricultural users within the District's service area. The District's annual diversion has averaged 58,334 acre-feet of water over the last 10 years from the Mokelumne River at Woodbridge Diversion Dam. See "DISTRICT WATER SYSTEM."

Governance

The District is governed by a Board of Directors (the "Board"), composed of five persons elected at large from geographic districts in which they reside. The following are the members of the District's Board and their background.

WILLIAM STOKES, *President*, has served on the Board since 1990, representing Division 1 Director area. Born in Lodi, California, Mr. Stokes received an Associates degree from Delta College. He is an agri-business grape grower. He served as President of the Board for the past 13 years. Mr. Stokes is a member of Lodi District Grape Growers, San Joaquin County Farm Bureau and numerous other boards and community groups.

ED LUCCHESI, *Vice-President*, has served on the Board since 1992, representing Division 5 Director area. Mr. Lucchesi is an ag-businessman grower and is also employed by the San Joaquin County Mosquito and Vector Control District.

AVERY MCQUEEN, *Director*, has served on the Board since 2000. Mr. McQueen is an ag-business grape grower representing Division 2 Director area.

BILL SHINN, *Director*, has served on the Board since 1994 and has served on the Board continuously since such time. Mr. Shinn is an ag-business grape and cherry grower representing Division 4 Director area.

HENRY P. VAN EXEL, *Director*, has served on the Board since 2003. Mr. Van Exel represents Division 3 Director area and is an ag-business dairyman and as alfalfa farmer and feed grain crop grower. His agricultural operations are representative of many dairies on the west side of Lodi. Mr. Van Exel is a member of the State Identification Advisory Committee and

the State Milk Pooling Board, serves on the Agricultural Advisory Committee for Senator Poochigan and Assemblyman Alan Nakanishi, and is a member of the Brack Tract Water Board.

Management

The management of the District is under the direction of Anders Christensen, Manager/Secretary/Treasurer who serves at the direction of the District Board. The following are the members of the District's management staff and their background.

Anders Christensen has served as Manager/ Secretary/Treasurer for the Woodbridge Irrigation District since 1991, providing day-to-day management of the District. Mr. Christensen is accountable for all matters pertaining to the administration and operation of the District. During his tenure as Manager, Mr. Christensen was instrumental in merging the District with the Woodbridge Water Users Conservation District in 1993, providing leadership during two water right proceedings of the California State Water Resources Control Board (SWRCB) in 1991 and in 1998 involving the Mokelumne River and the San Francisco Bay Delta, instituting the District's drip irrigation program saving over 6,000 acre-feet of water annually, spearheading the District's efforts to get \$2.6 million in grant funding from CALFED, initiating the Lodi Water Sales Agreement and the Stockton Water Sales Agreement and heading the effort for an agreement with East Bay Municipal Utility District relating to the 2003 Water System Project.

From 1983 to 1990, Mr. Christensen served as Manager of the Clark Rural Water District, South Dakota providing management of an \$8 million public drinking water system providing water to 800 farms and five towns through a 650 mile long pipeline system. Mr. Christensen obtained HUD and Farmers Home grant funds for the original project and two additional projects and obtained refinancing and repurchase of \$2.3 million in government loans at a savings to the District. Mr. Christensen was awarded Manager of the year for South Dakota Association of Rural Water System and his district was awarded Rural Water System of the year for 1988 during his tenure as Manager.

Prior to that time, Mr. Christensen served as the Domestic Water Coordinator for the Oahe Irrigation District and Executive Director for the \$100 million dollar WEB Pipeline (Domestic Water System), serving 51 towns in 11 counties through a 4,000 mile long pipeline project. Mr. Christensen assisted the Board of Directors in organizing six rural water systems. Mr. Christensen assisted in obtaining a Federal funding authorization and appropriation through a special act of Congress administered through the USBOR for the construction of the project.

Mr. Christensen is a graduate of Northern State University at Aberdeen, South Dakota, obtaining a Bachelor of Science Degree in 1972.

Todd VerSteeg is Superintendent of outside operations. He has been employed by the District since 2008 and appointed Superintendent in 2011. As Superintendent, Mr. Versteeg has the responsibility for the day-to-day operation of the District's dam and canal system, including all maintenance aspects, as well as supervision of the District's canal maintenance workers and ditch tenders. Mr. VerSteeg is a graduate of Sacramento State and holds a Bachelor of Science Degree.

Employees and Pension Benefits

As of December 31, 2012, the District had 22 full-time employees. The District employees are not unionized and the District has never experienced a work stoppage. The District considers its current employee relations to be satisfactory.

The District participates in a Simplified Employee Pension Plan (“SEP-IRA”), and contributes 7% of qualifying employees’ compensation annually to the plan. Contributions to the plan for 2011 and 2012 were \$55,231 and \$58,136, respectively. The District does not participate in the State of California Public Employees Retirement System (PERS).

The District provides employees with health insurance and supports family plan coverage for those employees insuring families. Additionally, the District provides paid vacation and sick leave and incentives for employees who work safely. The District routinely provides workplace safety training and supports educational opportunities designed to improve the work skills of its employees.

It is the District’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid vacation is recorded in the financial statements when the liability is incurred and is reported as the current portion of such compensated absences. The District does not provide for payment of unused sick leave at termination dates. The District provides no other post-employment medical benefit plans.

Risk Management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (the “Insurance Authority”). Through its membership in the Insurance Authority, the District obtains general liability, property and equipment, fidelity bonds, and automobile insurance coverage. The risk of loss is transferred from the District to the Authority in exchange for the District’s payment of annual premiums. Incurred and unbilled claims, if any, are accrued as a liability when it is probable that an asset has been impaired, the amount of the obligation can be reasonably estimated, and the claim is not covered by insurance. Workers’ compensation insurance is maintained through a commercial policy.

The Insurance Authority self-insures for the first \$1 million per claim under its liability coverage program, and members, such as the District, are insured for up to \$60 million for liability claims under the Insurance Authority’s purchased excess insurance policies. Members are also insured for \$100 million for property and equipment through the Insurance Authority’s purchased excess insurance policy. The Insurance Authority also provides automobile liability coverage and errors and omissions coverage up to \$61 million, employee fidelity coverage up to \$100,000 and a \$10,000 public official bond. Workers’ compensation coverage is provided to the District equal to statutory limits by a commercial policy. The District paid no material uninsured losses during the last three fiscal years.

DISTRICT WATER SYSTEM

History and Water Rights

Pre-1914 Water Rights. The history of the District’s water rights dates back to the posting and recordation by Byron Beckwith in 1886 of three notices of appropriation of water in excess of 300 CFS, for the purposes of irrigation, agriculture and domestic use, to be diverted from the Mokelumne River at the town of Woodbridge by means of a diversion dam and canal system. The rights were subsequently perfected to an amount of approximately 300 CFS.

In 1889, the Woodbridge Canal and Irrigation Company was formed and the appropriative water rights were transferred to such company. Diversions by the Company began in the 1890s, with the newly-constructed Woodbridge Canal being capable of diverting in excess of 300 CFS. Ownership of the water system was transferred to the Stockton and Mokelumne Canal Company in 1899. The Stockton and Mokelumne Canal Company built a

new timber diversion dam in 1901 and in 1910 replaced the original structure with the concrete buttress/flashboard dam presently in use by the District today.

The District was formed on June 16, 1924, and it purchased the entire water system and water rights of the Stockton and Mokelumne Canal Company in 1928 with funds raised by a \$325,000 bond issue.

In the 1920's, the East Bay Municipal Utility District ("EBMUD") completed construction of its Pardee Dam on the upper Mokelumne River. Following completion of the Pardee Dam, EBMUD instituted a legal action against the District seeking to establish the respective rights of the District under the District's pre-1914 appropriative water rights on the Mokelumne River, as against EBMUD's 1924 rights at Pardee Dam. In settlement of that legal action, the District and EBMUD entered into an agreement dated January 7, 1938, which recognized the prior right of the District under its pre-1914 appropriative rights to divert up to 300 CFS, not to exceed 45,000 acre-feet per annum of Mokelumne River water, in normal and above-normal water years. As part of the settlement, the District's water rights were reduced in below-normal years, to a low of 30,000 acre-feet in the driest years (when inflow to the Pardee Dam reservoir is less than 250,000 acre-feet).

Post-1914 Water Rights. On January 20, 1928, the District filed an application with the State Water Resources Control Board Division of Water Rights to appropriate 300 CFS at its Woodbridge Dam on the Mokelumne River during the diversion season from February 1st to October 31st of each year. The application was approved on May 7, 1932 and a permit was issued to the District entitling it to divert not to exceed 300 CFS of water in combination with its pre-1914 right, and with a priority date of January 20, 1928.

In 1941, the Woodbridge Water Users Water Conservation District ("WWUCD") also filed an application for, and obtained a permit to, divert 114.4 CFS each year from May 1st to August 31st and from November 1st to January 31st. The WWUCD was a public entity serving an area interspersed among the lands legally within the District, which area had been historically served by the District. Pursuant to agreement between the District and WWUCD, the water of WWUCD was diverted by and distributed through the District's canal system. The WWUCD was merged into the District in 1993 and as a result, WWUCD's additional water right passed into ownership of the District. Those combined appropriations provide the basis of the District's claims of a right to divert up to 414 CFS. The District's pre-1914 appropriative right to 300 CFS is the largest early priority (1886) direct diversion right on the Mokelumne River. (PG&E owns earlier storage rights on reservoirs on the upper river, the water under which is used to hydroelectric generation and returned to the river).

The District also holds an appropriation right (License 8215) to divert 18 CFS from Beaver Slough on the Sacramento-San Joaquin Delta in the northwest portion of the District in the Thornton area.

Additional EBMUD Agreements. The District and EBMUD have entered into a series of agreements relating to their respective appropriations of water from the Mokelumne River. After EBMUD completed construction of the Camanche Dam and reservoir on the Mokelumne River below Pardee in 1963, a second agreement was entered into among the District, WWUCD and EBMUD. Under this agreement (the "1965 EBMUD Agreement"), EBMUD agreed that the collective water rights of the District and the since-merged WWUCD, entitled the two districts to a "permanent regulated base supply" of up to 300 CFS, not to exceed 60,000 acre-feet of water per year, which EBMUD agreed to deliver to the districts in the operation of its storage water facilities on the Mokelumne River. The 60,000 acre-foot of water was considered to be equivalent to the firm portion of the District's pre-1914 appropriative water rights and the rights acquired pursuant to the post-1914 applications filed in 1928 and 1941 (as described above).

This amount is subject to a reduction of 35% annually in the event the Mokelumne River inflow to Pardee Reservoir is estimated to be less than 375,000 acre-feet in any year. The 1965 EBMUD Agreement does not preclude the diversion of additional water available at Woodbridge Dam in years when more than 60,000 acre-feet is available for such diversion. The District has for many years regularly diverted additional amounts in excess of such permanent regulated base supply amount.

The 1965 EBMUD Agreement assures to the District a permanent regulated base supply of 60,000 acre-feet per year (subject to the 35% reduction in dry years). The 35% reduction occurred during the 1991, 1992 and 1994 irrigation seasons, which were years of severe drought in the State of California.

State Water Resources Control Board Mokelumne River and Bay-Delta Proceedings

In 1992, the California State Water Resources Control Board (the "SWRCB") conducted a water rights hearing (the "1992 Lower Mokelumne River Hearing") related to Mokelumne fisheries issues and minimum flows required for the protection of fisheries resources. Similar issues were being reviewed by the Federal Energy Regulatory Commission ("FERC"), which had issued a hydroelectric power generation license for EBMUD's hydroelectric plants at its Pardee and Camanche Dams in 1981. Following the completion of Endangered Species Act consultation, EBMUD, the U.S. Fish and Wildlife Service ("USF&WS") and the California Department of Fish and Game ("CDF&G") executed a Joint Settlement Agreement (the "1998 EBMUD Joint Settlement Agreement") to resolve the fisheries protection issues in FERC's Mokelumne River proceeding on EBMUD's hydroelectric licenses, and filed it with FERC on March 30, 1998. FERC approved the 1998 EBMUD Joint Settlement Agreement with minor modifications in its Order issued November 27, 1998 (the "1998 FERC Order").

Under the 1998 EBMUD Joint Settlement Agreement, EBMUD agreed to release water each year into the Mokelumne River from its Camanche Reservoir to provide improved fishery flows in the Lower Mokelumne River. The releases vary from a minimum of 22,500 acre-feet in critical dry years to 129,800 acre-feet in normal and above-normal water years, and the releases are intended, under the terms of the 1998 EBMUD Joint Settlement Agreement, to provide certain expected flows past Woodbridge Dam thence into the Sacramento-San Joaquin Delta. The District was not a party to the 1998 EBMUD Joint Settlement Agreement, but following its execution by EBMUD, the District adopted a resolution committing itself to curtailing its diversions at Woodbridge Dam of additional water available to it under its various water rights in some years beyond its permanent regulated base supply of 60,000 acre-feet per annum under its 1965 EBMUD Agreement, to the extent necessary to allow the "expected flows below Woodbridge" contemplated under the 1998 EBMUD Joint Settlement Agreement to pass Woodbridge Dam.

On May 22, 1995, the SWRCB adopted a Bay-Delta Water Quality Control Plan establishing water quality standards necessary for the protection of fisheries and of the beneficial uses in the San Francisco Bay and Sacramento-San Joaquin Delta, which essentially called for increased flows from all Delta tributaries into the Delta for the benefit of fishery and protection of Delta water quality. In November 1997, the SWRCB completed an environmental impact report for the implementation of the Bay-Delta Water Quality Control Plan, which proposed under different alternatives curtailments of all holders of post-1914 water rights in streams tributary to the Sacramento-San Joaquin Delta having a cumulative face value in excess of 5,000 acre feet per years. The SWRCB did not propose to impose any responsibilities upon smaller water rights, pre-1914 appropriative rights or on riparian water rights, in order to implement the flow objectives of the Bay-Delta Water Quality Control Plan.

Following a series of hearings to assign responsibilities for implementing the flow-dependent objectives of the Bay-Delta Water Quality Control Plan, the SWRCB issued its Bay-Delta Water Rights Decision 1041 (“D-1641”) on March 15, 2000 involving all rivers and streams tributary to the Sacramento-San Joaquin Delta, excepting the Sacramento River. In that decision, the SWRCB determined with respect to water rights holders on the Mokelumne River that the minimum flow releases required by the 1998 EBMUD Joint Settlement Agreement and by the 1998 FERC Order constituted the fair-share contribution of EBMUD toward implementing the Bay-Delta standards. D-1641 included an amendment to the District’s water licenses to provide that the District not divert the “expected flows below Woodbridge” in accordance with the intent of the 1998 EBMUD Joint Settlement Agreement and in accordance with the District’s own commitment, and further provided that those curtailments would constitute the District’s contribution to the implementation of the Bay-Delta Water Quality Control Plan.

On May 27, 2003, EBMUD and the District entered into an additional agreement in connection with the District’s sale of water to Lodi under the District’s pre-1914 water rights. Pursuant to that agreement, EBMUD agreed that it would not to oppose the District’s sale of water to Lodi and the District agreed that, except for its permanent regulated base supply entitlement provided for in the 1965 EBMUD Agreement, the District would not divert water from the Mokelumne River when releases of water by EBMUD from Camanche Dam were limited to the amounts necessary to meet the 1998 EBMUD Joint Settlement Agreement release requirements.

Several lawsuits were filed for review of the SWRCB’s adoption of D-1641, challenging the underlying Environmental Impact Report for and various aspects of D-1641, which were eventually coordinated and assigned to California Superior Court in Sacramento County. Two of the lawsuits challenged the SWRCB’s approval of the flow releases by EBMUD under the 1998 EBMUD Joint Settlement Agreement as constituting EBMUD’s contribution to the implementation of the flow-related objectives of the Bay-Delta Water Quality Control Plan, however, those lawsuits did not directly challenge the SWRCB’s D-1641 ruling with respect to the contribution of the District of water to Delta inflows, which had been fixed by the SWRCB’s amendment of the District’s water licenses.

The Sacramento Superior Court issued its Statement of Decision in the lawsuits on May 5, 2003, sustaining D-1641 in most respects, but remanding the decision back to the SWRCB for further consideration about certain issues relating to inflows to the Lower San Joaquin River. On February 9, 2006, the Court of Appeal for the Third Appellate District handed down its decision (*State Water Resources Control Board Cases, No. C 044714*, 39 Cal.Rptr. 3d 189), upholding most of D-1641, including the portions pertaining to the Mokelumne River on the grounds that the appellant parties did not demonstrate that the evidence was insufficient to support the SWRCB’s adoption of the Joint Settlement Agreement flows pertaining to the required Mokelumne River contributions to Delta inflows. Decision 1641 was remanded back to the SWRCB for further Board consideration of the provisions relating to meeting certain salinity objectives in the southern Delta and also on the adequacy of flows at Vernalis in the Southern Delta for the purposes of meeting salinity requirements and spring pulse flows for outmigration of salmon. Since that time, the required flow contributions of the Mokelumne River to the flow objectives of the Bay Delta Plan, as fixed in SWRCB’s D-1614, have continued in effect.

The SWRCB is currently in the process of a review and update of the 2006 Bay-Delta Water Quality Control Plan (which an updated version of 1995 Plan involved in D-1614). The SWRCB is now evaluating potential amendments to the Delta inflows and other water quality objectives in the 2006 Plan. Studies in recent years have identified inflows into the Delta as a major factor affecting fisheries and other public trust uses of the Delta waters, and the Legislature has also directed the SWRCB to develop flow criteria for the Delta ecosystem. It is possible that within the foreseeable future, new flow restrictions and implementing measures

will be adopted by the SWRCB which will include reexamination and possible new restrictions on water diversions from the streams tributary to the Delta, including the Mokelumne River. The District, however, has some protection against new restrictions that might impair its diversion entitlements on the River, in its 1965 Agreement with EBMUD which provides that EBMUD will provide 60,000 acre-feet per annum from water releases from its storage reservoirs on the Mokelumne River (39,000 acre feet in years when the inflow to Pardee Reservoir is less than 375,000 acre-feet.) And it also foresees little possibility of any impairment to its ability to deliver the water contract amounts to Lodi and Stockton (6,000 acre-feet annually to Lodi and 6,500 acre-feet to Stockton), because that water is under the District's early priority pre-1914 appropriative rights. The SWRCB's primary jurisdiction is over licenses and permits that have been issued to water users since 1914, and it has only limited jurisdiction over pre-1914 water rights. In the SWRCB's Decision 1614, it imposed diversion restrictions only on post-1914 water rights, and none on pre-1914 water rights.

Water Diversions

The District's record of diversions for the period 1943 through 1974 indicate that more than 100,000 acre-feet annually were diverted by the District at the Woodbridge Dam during all but six years. However, since 1975, diversions have sharply declined. During the 10-year period following the 1976-77 droughts, the average head gate diversions into the Woodbridge Canal amounted to approximately 72,500 acre-feet per year. For the 10-year period 1988 through 1997, District diversions declined to an average of approximately 56,900 acre-feet per year. Reductions resulted in part from changing crop practices, including the discontinuation of rice cultivation within the District. The District has also taken various conservation steps in order to operate within its permanent regulated base supply entitlement of 60,000 acre feet per annum.

Set forth below is a 20-year history of annual water diversions by the District. Over the last twenty years, annual diversion has varied due to weather conditions, available water supply and conservation efforts on the part of the District and its customers. As a result of conservation efforts, has experienced a shift from irrigation uses to municipal uses.

**Woodbridge Irrigation District
Annual Water Diversions
1993-2012**

Year	Annual Diversion (acre-feet)
1993	85,113
1994	39,353
1995	72,051
1996	71,666
1997	58,484
1998	58,484
1999	57,427
2000	66,436
2001	67,750
2002	59,747
2003	55,978
2004	59,892
2005	79,300
2006	59,345
2007	58,101
2008	50,890
2009	61,347
2010	48,605
2011	52,241
2012	46,287

Source: Woodbridge Irrigation District.

Water System Facilities

The District's Water System consists of the new automatically controlled Woodbridge Diversion Dam (2003) and the fish screen-canal diversion head works (2007), Stockton canal delivery system (2009), the Beaver Slough pump diversion, the District's Moffit Weir at Pixley Slough, and a distribution system of over 100 miles of canals and pipelines. The distribution system includes approximately 18 miles of concrete lined canals or pipelines and 82 miles of earth canals.

The District's canal system consists of a Main Canal system with three branches, the South Main Canal, the West Main Canal and the Northwest Main Canal. The District also operates an 18 CFS pump station for diversion of water from Beaver Slough just south of the town of Thornton, which can supply water to Thornton area agricultural lands. The District's Beaver Slough pumped diversion can yield up to 8,000 acre-feet a year. The District's diversion Moffit Weir at Pixley Slough, in the north Stockton area, regulates and reservoirs water for agricultural deliveries through a small portion of the District's lands.

Operations of the Water System

As described above, the District's water supply is released from the EBMUD Camanche Reservoir into the Mokelumne River and diverted at Woodbridge Dam downstream into the District's canal system. Pursuant to its agreements with EBMUD, the District annually prepares

and files a diversion schedule with EBMUD. The District's diversions can be taken annually from March through November under the EBMUD agreements.

Each of the three branches of the District's canal system operates with its own control gate system. Smaller lateral canals connect to the mains and carry water to farmers' takeout gates. The head created by the existing Woodbridge Dam is regulated by an automatic electronically controlled Supervisory Control and Data Acquisition System (SCADA), which adjusts the water surface elevation of Lodi Lake, controls releases of the canals downstream from the fish screen & head works into a lower operating pool before being released into three main canals. Increasing the water surface elevation (head pressure) allows more water to pass through the canal system. The Stockton control system is also regulated by SCADA providing for automatic control of the delivery canal to the Stockton Delta Treatment Plant. SCADA provides supervisory control and data acquisition.

The water surface elevation within each of the three main branches of the canal system is regulated within the canal system by making adjustments to check structures to elevate the water higher than the parcel to be irrigated. Turnout gates allow water to flow to farmers' fields for furrow, flood, sprinkler or drip irrigation. Each of the three branches of the canal system are operated by the District's three ditch tenders and one relief ditch tender. The operation of the dam and the fish screens is the responsibility of the Superintendent.

The District's water supply is measured at the canal head-works by a United States Geological Survey ("USGS") gauging station operated cooperatively by USGS and the District. The data are published by the USGS in its annual report and includes daily, monthly and annual rates of diversion and total usage. The District's water usage is also reported to the State Water Resources Control Board. Additionally, the District's canal elevations can be measured remotely and monitored at several points on the canal system and on the Mokelumne River below Woodbridge Dam.

Water customers of the District are required to sign water contracts with the District annually prior to receiving water. Deliveries are made to the District's agricultural customers who place a water order with the District. The District's ditch tenders are responsible for filling the orders and coordinating with the District's customers to arrange for the exact location, time, and quantity of water to be delivered. Once water is delivered to the customer's turnout, the customer is responsible for applying the water and, upon completion of the irrigation, placing an order with the District to shut the water off. The ditch tender is required to maintain a written record of each irrigation.

Water Conservation

The District has established several water conservation programs, including the following:

All water sold to municipalities and growers is metered and its sold based on the amount of water delivered. SBX7, a California Law, requires that all deliveries by water districts be metered. The metering program was implemented in 2009 and is responsible for saving irrigation water and the ability to make saved water available for beneficial uses including future water sales.

Drip Irrigation. The District implemented a drip irrigation program to provide concrete/stainless steel screened take-out boxes which are placed inside the District canal system to provide screened canal water to growers who are contemplating drip irrigation on grapes and orchard crops. The District's policy subsidizes customers by providing them with

screening equipment and technical assistance in installing a drip system to utilize water from the District's canal system.

There are approximately 12,000 acres of grape crops within the District's service area, of which 5,705 acres underserved by the District's drip program. A system of pre-cast concrete boxes and stainless steel screens are built, installed and operated by the District to provide clean debris free drip irrigation water that growers and irrigators demand. Drip irrigated crops require approximately only one-third as much water (one acre-foot per acre) as compared to furrow and flood irrigation (three acre-feet per acre). The water conserved by the District drip irrigation program will supply most of the 12,500 acre-feet of water to be sold to Lodi or Stockton pursuant to the Water Sales Agreements. See "Agreements for Purchase of Water by Lodi and Stockton from the District" below.

Lining of Canals and Pipelines. The District has lined approximately 18 miles of District canals and installed pipelines to minimize seepage losses in areas of the District canal system. The lining of canals and installation of pipelines has been very effective in stopping erosion and controlling weeds on adjacent canal rights-of-way.

Aquatic Weed Control and Terrestrial Canal Road Weed Control. The District has an aggressive weed control program for controlling aquatic weeds in the canal and terrestrial weeds along the canal roads. Aquatic weeds in a canal can reduce the ability of the canal to carry water and increase the amount of hydraulic head needed to push the water to the delivery points. These plants also consume large amounts of water that otherwise would be available for irrigation purposes.

Regulation and Efficient Operation. The District has strict rules and regulations governing the reasonable use of water by its customers. Additionally, the District ditch tenders have been trained to operate the canal systems to maximize the available supply of water for beneficial agricultural uses.

Drought Risk

The District and its predecessors have supplied water for irrigation purposes dating back to 1891. As described above, the District's agreements with EBMUD currently provide 60,000 acre-feet of water in most years and 39,000 acre-feet in extremely dry years. When the inflow into EBMUD's Pardee Reservoir is 375,000 acre-feet per year or greater, the District receives 60,000 acre-feet per year. When the inflow into Pardee Reservoir is less than 375,000 acre-feet (an extremely dry year), the District's entitlement is reduced to 39,000 acre-feet per year in that year.

Dry year flows can be supplemented from other sources including pumping from Beaver Slough and Mosher Slough. The District has water rights to pump 18 CFS from Beaver Slough, a tributary of the Mokelumne River in the Sacramento-San Joaquin Delta north of Thornton for use within the Thornton area. Water pumped from Beaver Slough augments water supplied from the Mokelumne River and has been especially important in dry years. The District can pump water from Mosher Slough at a rate of approximately 5 CFS.

The incidence of drought conditions triggering a reduced water supply has been infrequent over the past 20 years. In only three years (1991, 1992 and 1994) was the District's Mokelumne River supply reduced to 39,000 acre-feet.

Drainage

The District has a general policy of not accepting drainage from agricultural return flows into its canal system. The District's terminal spill directs all drainage into the Sacramento-San Joaquin Delta. Drainage water is accepted by contract from Lodi's storm drain system and for tertiary treated water from Turner Road Vintners, a winery located west of Lodi. Both contracts have provisions for discharges which must comply with all present and future regulations for drainage and the responsibility for costs thereof.

The District has adopted a Quality Assurance Project Plan ("QAPP") for the monitoring of its algae and aquatic weed control program and discharges at spill points into the Sacramento-San Joaquin Delta and waters of the United States. The District's program monitors during the irrigation season and tests for presence of herbicides that are used in controlling aquatic and terrestrial weeds. The plan also contains best management practices that are designed to reduce the chance of detectable chemicals from entering the canal system.

Water Quality and Regulatory Matters

General. The Safe Drinking Water Act ("SDWA") was amended on August 6, 1998 to include "systems providing water for human consumption that delivers water by constructed conveyances such as irrigation canals." The District's Lodi Water Sales Agreement specifies that the water being supplied to Lodi is raw water diverted from the Mokelumne River, that the character or quality of the water furnished thereunder may vary from time to time, and that the District does not guarantee the character or quality of the water furnished to Lodi and Stockton.

Water Service Area and Land Use

The District's water service territory is generally bounded on the north by the Mokelumne River, on the east by Lodi and State Highway 99, on the south by Stockton and the Calaveras River and on the west by the easterly fringe of the Sacramento-San Joaquin Delta. There are approximately 40,442 total acres of land within the legal boundaries of the District. The District currently provides water service to approximately 13,000 acres within its boundaries. In 2012, only 10,923 net acres were irrigated. The District is presently considered to be fully developed even though the total cropped acreage may vary from year to year depending on cropping patterns and market conditions.

The following table lists the agricultural production in the District's water service area and the gross values for 2012.

**Woodbridge Irrigation District
Crop Report
For the Fiscal Year ended December 31, 2012**

Agriculture	Acres (1)	Value
Alfalfa	713	\$ 1,134,526
Annuals/Basil/Beans/Melon	211	2,025,600
Olives	520	979,306
Wheat/Oats/Cereal	529	316,144
Pasture/Clover	126	20,873
Orchard	1,046	5,504,936
Tomato	33	110,055
Vineyard	5,293	16,272,687
Pond	29	3,556
Corn	2,295	2,458,200
Pre-flood	121	1,953
Parcels less than one acre	7	315
Total	10,923	\$28,822,642

Source: Woodbridge Irrigation District Crop Report and San Joaquin County Crop Value Information.
(1) The table does not contain any double cropped acres.

Largest Customers

Lodi and Stockton, respectively, are the largest revenue generators of the District, providing approximately 34% and 36%, respectively, of total revenues. Both Lodi and Stockton make payments pursuant to their respective take or pay contracts and both cities will begin taking regular deliveries of water in the current (2013) fiscal year. See “DISTRICT WATER SYSTEM—Agreement for Purchase of Water by Lodi from the District” and “DISTRICT WATER SYSTEM—Agreement for Purchase of Water by Stockton from the District.” respectively.

The following table sets forth the ten largest irrigation water purchasers of the District in 2012, after Lodi and Stockton.

**Woodbridge Irrigation District
Ten Largest Irrigation Water Customers
For the Fiscal Year Ended December 31, 2012**

Name	Irrigation Water Sales Revenues	Approximate Percent of Total Irrigation Water Sales Revenue
Stokes	\$ 30,000	11%
Van Exel	28,663	10%
Simoes	21,110	7%
Abbate	19,141	8%
Kaehler Dairy	16,415	6%
Luiz & Sons	12,189	4%
Lodi Farms	9,993	3%
Olagaray	9,807	3%
Klein	9,103	3%
Phillips Farms	8,848	3%
Top Ten Irrigation Purchasers	\$165,209	58%
All Other Irrigation Purchasers	\$153,930	42%
Total Irrigation Sales	\$319,139	100%

Source: Woodbridge Irrigation District

The table above shows the District’s ten largest customers, of a total of approximately 120 customers receiving water service from the District, comprising approximately 8% of all irrigation water sales revenues for 2012. The growers and the lands served by the canal system have consistently purchased water from the District for over 30 years or more.

State law now mandates all agricultural irrigation deliveries of water be metered. SB-7, a law passed by the State Legislature requires irrigation districts to market their water on a volumetric basis as measured through a water meter rather than a flat rate basis. Compliance must be effective starting in 2012 or the District would have face fines and even reduction of its water rights. The State Water Board has added additional personnel to its compliance section to enforce the new law. The District began installing meters in 2009 and is 100% compliant with the law. All deliveries of water are metered. Every drip irrigation system is has a physical meter and flood and furrow usage on pumped systems and meter vents are measured using a velocity flow probe. All the District’s 5,705 acres of drip irrigation are already on meters. Growers still receive all the water they need to grow crops but must be aware that if they waste water, they will be charged for the volume used. The District irrigates approximately 13,000 acres of crops annually.

Water Rates and Charges

Water Rates. The Irrigation District Law permits the District to establish and collect rates and charges, including charges for water delivered, standby charges and groundwater recharge fees for the water made available by the District. The District's water rates are established by the District's Board of Directors. The rates established by the District are not subject to approval by any State or federal agency.

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" for a discussion of certain constitutional limitations on the District's water rates. The table below sets forth the District's water rates for the last five Fiscal Years.

**Woodbridge Irrigation District
Historical Rates**

Fiscal Year	Water Rate (per acre-foot)
2012	\$16.14
2011	16.14
2010	16.14
2009	15.38
2008	15.38

Source: Woodbridge Irrigation District

Billing for water service to agricultural users is done on a semi-annual basis. A signed water contract including at least one-half of the payment for water charges must be made prior to any water delivery. The second half payment is due on October 1st of each year. Tenant growers must pay in full unless such water contract is co-signed by the landowner. If the second half payment of the bill has not been paid by October 1st of the year, the bill is delinquent and the District may commence suit to enforce payment of the amount due, or any part thereof, and obtain a judgment for the District. Service is discontinued in the current or future year until the delinquent billing is paid. The account becomes uncollectible only if a landowner declares bankruptcy.

Standby Charges and Groundwater Recharge Fees. A standby charge and a groundwater recharge fee are levied against certain lands in the District that have been determined to benefit from the District's operation of the canal system. The standby charge of \$5.00 per acre is levied against all lands within the District to which water is available from the District canal system. A groundwater recharge fee of \$2.00 per acre is charged upon all lands within a large, defined area of the District, whose groundwater supply is recharged as a result of canal seepage from the District's canals from the infiltration of District water applied to crops, and from the relieving of pumping by surface water users taking water from the District's canal system. The standby charge and groundwater recharge fees comprise approximately 5% of the District's total annual revenues for water sales. The annual amount of the standby charge and the groundwater recharge fee is billed to landowners, which amount may be paid in two installments, the first installment before May 1st and the second installment before October 1st of each year. If these charges are not paid before these dates, they are declared to be delinquent and in arrears. The District is authorized to deny the delivery of water to any lands which are delinquent on standby charges or groundwater recharge fees until the delinquent charges are paid.

All unpaid and delinquent charges, whether water rates, standby charges or groundwater recharge fees, are considered to be liens against the property and may be placed

by the District on the San Joaquin County tax roll for collection with the County property taxes levied against the property.

Water Sales

Over the past five years, water sales by the District to its agricultural users have averaged 53,246 acre-feet per year. Set forth below is a summary of the water sold and revenue received with respect to the District's water operations for the last five years. Over the last ten years, agricultural sales have shifted to water conserving drip irrigation which, together with dry years and conservation, have reduced water consumption and revenue.

Woodbridge Irrigation District Water Sold and Revenue Received For the Five Years Ended December 31, 2012

Year	Agricultural				Municipal Revenue
	Number of Contracts	Acres	Acre-Feet Sold	Revenue	
2008	190	10,717	60,000	\$316,000	\$1,200,000
2009	196	10,830	60,000	354,000	1,200,000
2010	206	11,596	48,605	369,000	2,524,000
2011	196	11,240	52,241	361,000	2,574,480
2012	181	10,923	46,287	362,000	2,625,970

Source: Woodbridge Irrigation District.

The main component of the present revenue structure of the District is that in 2003, the District entered into a 40 year agreement with Lodi to deliver at least 6,000 acre feet of water a year to Lodi in exchange for a base payment of \$1,200,000 a year. This agreement became effective late in 2003 in conjunction with the sale of certificates of participation. Since 2004, the District has received the full \$1.2 million in each year. In 2010, the District's agreement with Stockton became effective and there was an additional \$1,300,000 in annual revenue from the delivery of water to Stockton.

Agreement for Purchase of Water by Lodi from the District

As a result of continued conservation measures of the District and reductions in water usage within the District, the District determined that it would have water available under its water entitlements from the Mokelumne River which is surplus to the needs of the landowners and water users within the District. The District's South Main Canal traverses the westerly portion of Lodi. Lodi currently obtains its municipal water supply from wells located within Lodi, extracting the water from the underground aquifer which is replenished in part by flows of the Mokelumne River. In order to acquire a supplemental surface water supply and to avoid being wholly dependent upon the wells and the possible impacts of eventual overdraft of the groundwater supply, Lodi entered into a Lodi water sales agreement with the District on May 13, 2003 (the "Lodi Water Sales Agreement"). Pursuant to the Lodi Water Sales Agreement, the District will deliver water diverted from the Mokelumne River to Lodi at a mutually agreeable location along the District's canal system.

Pursuant to the Lodi Water Sales Agreement, the District agreed to make available to Lodi 6,000 acre-feet of water per year beginning in the calendar year which first followed the entry of a final judgment confirming the validity of the Lodi Water Sales Agreement. Beginning in that year, Lodi agreed to pay the District \$300,000 on the first day of each calendar quarter of such year and on the first day of each calendar quarter thereafter (\$1,200,000 annually). The validation judgment was entered in July, 2003, and those payments by Lodi were commenced in

2004 and have since been made quarterly to the District as required by the Water Sale Agreement. Lodi will make such payments irrespective of whether Lodi takes the water made available to it under the Lodi Water Sales Agreement and irrespective of whether the District has water available for delivery to Lodi; provided that the District shall use its best efforts to provide to Lodi the amounts of water provided for in the Lodi Water Sales Agreement. Interest on arrearage in payment shall be charged at a rate of 1.5% per month commencing 45 days after the due date of the payment. The Lodi Water Sales Agreement also provides that the amounts payable to the District will be increased by 2% per year. In the event that the annual change in the Consumer Price Index (CPI-W, unadjusted U.S. average) published in December of each year by the United States Bureau of Labor Statistics, commencing in December in the year preceding such seventh year, has increased more than 2% above the December Index of the prior year, the increases in the amounts payable in the ensuing year shall be in the percentage of that increase; provided, that any such annual increase shall not exceed 5%. The Lodi Water Sales Agreement will remain in effect until October 15, 2047 (subject to renewal).

Lodi shall make payments to the District under the Lodi Water Sales Agreement solely from the Revenues (as hereinafter defined) of, and as an operating expense of, the Lodi Municipal Water System (as hereinafter defined). Lodi pledges the Revenues to the payments required under the Lodi Water Sales Agreement. Nothing in the Lodi Water Sales Agreement shall prohibit Lodi from using any other funds and revenues for purposes of satisfying any provisions of the Lodi Water Sales Agreement. So long as Lodi is in compliance with all of its obligations under the Lodi Water Sales Agreement, such pledge shall not prevent its application of Revenues of the Lodi Municipal Water System to other operating expenses of the Lodi Municipal Water System or, subject to the payment of such operating expenses, to other lawful purposes, or impair the rights of any recipient of Revenues of the Lodi Municipal Water System lawfully so applied.

“Revenues” of the Lodi Municipal Water System generally means all gross income and revenue received or receivable by Lodi from the ownership and operation of the Lodi Municipal Water System, which gross income and revenue shall be calculated in accordance with generally accepted accounting principles, including all rates, fees and charges received by Lodi for water service and connection and hook-up fees and all other income and revenue howsoever derived by Lodi from the ownership and operation of or arising from the Lodi Municipal Water System, but excluding in all cases any proceeds or taxes and any refundable deposits made to establish credit, federal or state grants, or advances or contributions in aid of construction.

“Lodi Municipal Water System” means the municipal water system of Lodi existing on the date of execution of the Lodi Water Sales Agreement and all additions, betterments, extensions and improvements thereto thereafter acquired or constructed.

The water will be delivered by the District to Lodi at a point on the District’s canal system at a mutually agreeable location and will be delivered during the period from March 1 to October 15. Lodi will provide to the District, by January 1 of each year, an estimate of the maximum amount of water anticipated to be needed by Lodi during each month for that year from March 1 through October 15, which schedule will be subject to the District’s approval. The District will supply such water on the approved monthly schedule, provided that Lodi shall to the extent that its operations permit, schedule the taking of as much of Lodi’s entitlement of water from the District that year prior to July 1 as feasible, but in any event not less than 3,000 acre-feet of water.

At such times as it is possible for the District to deliver water during the remaining months of the year, or to deliver water in excess of 6,000 acre-feet during the period from March 1 through October 15, then by mutual agreement of the parties, delivery of such water to Lodi

may be made by the District. Lodi shall pay the District \$100 per acre-foot for any such additional water delivered to Lodi.

Also at Lodi's request, the District will divert from the Mokelumne River at the District's Woodbridge Diversion Dam and wheel and convey through the District's canal system to Lodi's delivery point, any non-District water acquired by or available to Lodi, subject to the District having available capacity for that purpose and subject to Lodi paying a per acre-foot charge in an amount which the District determines to be its costs for such service. The District's preliminary estimated costs for such service in year 2012 with the existing Woodbridge Dam would be approximately \$25 per acre-foot.

The District has determined that the water to be made available annually for delivery to Lodi pursuant to the Lodi Water Sales Agreement will be surplus to the needs of the District during the term of the Lodi Water Sales Agreement pursuant to Section 22259 of the Irrigation District Law. The Lodi Water Sales Agreement provides that no permanent right to the water supplied by the District shall accrue to Lodi except pursuant to and as limited by the terms of such agreement.

The District agrees that it will deliver 6,000 acre-feet per annum to Lodi under the Lodi Water Sales Agreement, except to the extent that the District's regulated base supply of 60,000 acre-feet under its agreements with EBMUD is reduced in dry years by 35%. (See "History and Water Rights" above.) In the event of such a reduction, the District may reduce the amount of water to be provided under the Lodi Water Sales Agreement by up to 50% in that year.

The District shall on or about May 1 of each year make a preliminary estimate of whether Lodi's deliveries may be curtailed that year, and will provide a final estimate including any curtailed amounts on or about July 1. In such event, Lodi shall only be obligated to take 50% of its estimated delivery before July 1 in that year. There shall be no reduction in the amount of Lodi's annual payment to the District in such years.

Unused water may not be carried over by Lodi from year to year except that the right to receive water may be "banked" as follows:

(a) For the first nine years in which water was available to Lodi under the Lodi Water Sales Agreement, Lodi did not take the water but received credits (water bank fund) of 54,000 acre feet of water for later delivery during the initial 40-year term of the Lodi Water Sales Agreement, at such times as the District has surplus water available as determined solely by the District. There will be no additional charge for the delivery of such banked water.

(b) If, after such initial nine years delivery of water to Lodi is curtailed by reason of a dry year condition or by District's maintenance or other District activities, then Lodi may carry over and have credit for the amount of such curtailment for later delivery at such time(s) as the District has extra water available as determined by the District. Any Lodi credits for curtailed segments after the first nine years of carryover water shall expire at the end of eight years from the end of the period in which the curtailment for that segment of curtailed water occurred. Such credits for the delivery of curtailed carryover water within said eight-year period may extend beyond the termination of the Lodi Water Sales Agreement. There will be no additional charge for the delivery of such banked water.

(c) Except as provided above, no credits shall accrue for water that is available to but is unused by Lodi.

Agreement for Purchase of Water by Stockton from the District

The water reductions and savings as a result of the water conservation measures being implemented by the District were also in sufficient quantity to enter into a water sales agreement with Stockton (the "Stockton Water Sales Agreement"). The conserved water is surplus to the needs of agricultural growers and is a part of the District's entitlements from the Mokelumne River. The District's South Main Canal traverses the easterly portion of Stockton. Stockton currently obtains its municipal water supply from wells located within Stockton and from Stockton's new Delta Water Supply Project (DWSP). In order to acquire an additional supplemental surface water supply to augment flows from the Delta in periods where Stockton can not divert due to fishery impacts, Stockton entered into the Stockton Water Sales Agreement on January 22, 2008. Pursuant to the Stockton Water Sales Agreement, the District has delivered water diverted from the Mokelumne River to Stockton at the Delta Water Supply Project treatment plant at the District's turnout box located on Wilkerson Lateral and part of the District's canal system starting in April 2012.

Pursuant to the Stockton Water Sales Agreement, the District agreed to make available to Stockton 6,500 acre-feet of water per year. Beginning in 2012, the District delivered 4,500 acre feet of water to Stockton's water treatment plant. Starting in 2010, Stockton agreed to pay the District \$325,000 on the first day of each calendar quarter of such year and on the first day of each calendar quarter thereafter (\$1,300,000 annually). Stockton will make such payments irrespective of whether Stockton takes the water made available to it under the Stockton Water Sales Agreement and irrespective of whether the District has water available for delivery to Stockton; provided that the District shall use its best efforts to provide to Stockton the amounts of water provided for in the Stockton Water Sales Agreement. Interest on arrearage in payment shall be charged at a rate of 1.5% per month commencing 45 days after the due date of the payment. The Stockton Water Sales Agreement payments will be increased by 2% per year. In the event that the annual change in the Consumer Price Index (CPI-W, unadjusted U.S. average) published in December of each year by the United States Bureau of Labor Statistics has increased more than 2% above the December Index of the prior year, the increases in the amounts payable in the ensuing year shall be in the percentage of that increase; provided, that any such annual increase shall not exceed 5%. The Stockton Water Sales Agreement will remain in effect for a term of 40 years and is subject to renewal.

Water not taken in the initial years of the Stockton Water Sales Agreement was allowed to be banked.

Stockton shall make payments to the District under the Stockton Water Sales Agreement solely from the Revenues (as hereinafter defined) of, and as an operating expense of, the Stockton Municipal Water System (as hereinafter defined). Stockton pledges the Revenues to the payments required under the, Stockton Water Sales Agreement. Nothing in the Stockton Water Sales Agreement shall prohibit Stockton from using any other funds and revenues for purposes of satisfying any provisions of the Stockton Water Sales Agreement. So long as Stockton is in compliance with all of its obligations under the Stockton Water Sales Agreement, such pledge shall not prevent its application of Revenues of the Stockton Municipal Water System to other operating expenses of the Stockton Municipal Water System or, subject to the payment of such operating expenses, to other lawful purposes, or impair the rights of any recipient of Revenues of the Stockton Municipal Water System lawfully so applied.

"Revenues" of the Stockton Municipal Water System generally means all gross income and revenue received or receivable by Stockton from the ownership and operation of the Stockton Municipal Water System, which gross income and revenue shall be calculated in accordance with generally accepted accounting principles, including all rates, fees and charges received by Stockton for water service and connection and hook-up fees and all other income

and revenue howsoever derived by Stockton from the ownership and operation of or arising from the Stockton Municipal Water System, but excluding in all cases any proceeds or taxes and any refundable deposits made to establish credit, federal or state grants, or advances or contributions in aid of construction.

“Stockton Municipal Water System” means the municipal water system of Stockton existing on the date of execution of the Stockton Water Sales Agreement and all additions, betterments, extensions and improvements thereto thereafter acquired or constructed.

The water will be delivered by the District to through the District’s Wilkerson Lateral Canal during the period from March 1 to July 31st or longer by mutual agreement. Stockton will provide to the District, by January 1 of each year, an estimate of the maximum amount of water anticipated to be needed by Stockton during each month for that year from March 1 through July 31, which schedule will be subject to the District’s approval. The District will supply such water on the approved monthly schedule, provided that Stockton shall to the extent that its operations permit, schedule the taking of as much of Stockton’s entitlement of water from the District that year prior to July 1 as feasible, but in any event not less than 3,000 acre-feet of water.

At such times as it is possible for the District to deliver water during the remaining months of the year or to deliver water in excess of 6,500 acre-feet during the period from March 1 through July 31, then by mutual agreement of the parties, delivery of such water to Stockton may be made by the District. Stockton shall pay the District \$100 per acre-foot for any such additional water delivered to Stockton.

Also at Stockton’s request, the District will divert water from the Mokelumne River at the District’s Woodbridge Diversion Dam and wheel and convey through the District’s canal system to Stockton’s delivery point, any non-District water acquired by or available to Stockton, subject to the District having available capacity for that purpose and subject to Stockton paying a per acre-foot charge in an amount which the District determines to be its costs for such service. The District’s preliminary estimated costs for such service in year 2012 with the existing Woodbridge Dam would be approximately \$25 per acre-foot.

The District has determined that the water to be made available annually for delivery to Stockton pursuant to the Stockton Water Sales Agreement will be surplus to the needs of the District during the term of the Agreement pursuant to Section 22259 of the Irrigation District Law. The Stockton Water Sales Agreement provides that no permanent right to the water supplied by the District shall accrue to Stockton except pursuant to and as limited by the terms of such agreement.

The District shall on or about May 1 of each year make a preliminary estimate of whether Stockton’s deliveries may be curtailed that year, and will provide a final estimate including any curtailed amounts on or about July 1. In such event, Stockton shall only be obligated to take 50% of its estimated delivery before July 1 in that year. There shall be no reduction in the amount of Stockton’s annual payment to the District in such years.

The District agrees that it will deliver 6,500 acre-feet per annum to Stockton under the Stockton Water Sales Agreement, except to the extent that the District’s regulated base supply of 60,000 acre-feet under its agreements with EBMUD is reduced in dry years by 35%. (See “History and Water Rights” above.) In the event of such a reduction, the District may reduce the amount of water to be provided under the Stockton Water Sales Agreement by up to 50% in that year.

Unused water may not be carried over by Stockton from year to year except that the right to receive water may be “banked” as follows:

(a) For the first two years in which water is available to Stockton under Stockton Water Sales Agreement, Stockton did not take the water but received credits (water bank fund) of 8,500 acre feet of water for later delivery during the initial 40-year term of the Stockton Water Sales Agreement, at such times as the District has surplus water available as determined solely by the District. There will be no additional charge for the delivery of such banked water.

(b) If, after such initial two years delivery of water to Stockton is curtailed by reason of a dry year condition or by District’s maintenance or other District activities, then Stockton may carry over and have credit for the amount of such curtailment for later delivery at such time(s) as the District has extra water available as determined by the District. Such credits for the delivery of curtailed carryover water within said eight-year period may extend beyond the termination of the Stockton Water Sales Agreement. There will be no additional charge for the delivery of such banked water.

(c) Except as provided above, no credits shall accrue for water that is available to but is unused by Stockton.

Bankruptcy of Stockton

Stockton filed for bankruptcy protection on June 28, 2012. Stockton’s enterprise funds (water, wastewater and storm water) operate separately from Stockton’s general fund. Stockton has issued statements during its bankruptcy proceedings that its enterprise funds will not be affected by the bankruptcy proceedings. Although there can be no assurance that the current treatment of the enterprise funds will continue as independent of Stockton’s general fund, Stockton currently expects its water enterprise to continue to meet its obligation to the District under the terms of the Stockton Water Sales Agreement . If Stockton were to fail to pay for the water in the Stockton Water Sales Agreement, the District would no longer deliver water to the Stockton and would seek to find other buyers for that water. Below is a table showing the anticipated debt service coverage of District revenues with and without the revenues from Stockton. Note that no allowance has been made for any additional revenues that would come from the sale of unused Stockton water. See “Projected Operating Results” below for the effect of debt service coverage if no revenues were received from Stockton and its water was not otherwise sold to alternate purchasers.

Other Revenues

Property Taxes. Article XIII A of the California Constitution, known as Proposition 13, limits the maximum ad valorem tax on real property to 1% of “full cash value” and provides that such tax shall be collected by the counties and, apportioned to the taxing agencies within its jurisdiction according to State statutes. The District receives a share of the 1% county-wide ad valorem tax collections. The levy and collection of such ad valorem property taxes and subventions have provided approximately 10% to 14% of total revenues of the District in each of the past five Fiscal Years. There can be no assurances that future legislation will not reduce or eliminate the District’s share of the 1% county-wide ad valorem property taxes.

Capital Requirements

The District estimates that approximately \$100,000 in capital costs will be required annually over the next five years. The District expects that such requirements will be funded primarily from Net Water System Revenues.

Outstanding Water System Obligations

Other than the 2003 Installment Sale Agreement and the 2007 Installment Sale Agreement, both to be refinanced by the Installment Sale Agreement and the Certificates of this issue, the District does not have any outstanding loans, obligations, or long-term debt payable from Net Water System Revenues.

Budgetary and Financial Matters

Budgeting Procedures. The District's Board and the Manager/Secretary/Treasurer develop a budget plan based upon the upcoming calendar year. The initial draft budget is presented to the Board beginning in November of the prior year and a final budget is adopted by the District Board at the January meeting of the current budget year. An initial draft of the budget shows current year projections and forecasts for current budget year and future years. Budget information includes revenue and expense projections and detailed notes on accounting definitions and procedures. At the January Board meeting, the annual budget is adopted by the Board by a resolution.

Investment of District Funds. The Revenue Fund, into which all Water System Revenues of the District are initially deposited, the Reserve Fund, and all other funds held under the Installment Purchase Contract and Trust Agreement are required to be invested in certain Permitted Investments as provided under the Trust Agreement and the Installment Purchase Contract. See APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto for the definition of Permitted Investments.

All other funds held by the District are invested in accordance with the District's investment policy, the primary objectives of the District's investment policy, in order of priority, are safety of principal, liquidity and yield. These objectives are intended to assure the economic status of the District while protecting funds and obtaining the highest yield with the understanding that all investments meet specified criteria for safety and liquidity. The District's Board of Directors has selected investment vehicles that include accounts with selected banks with FDIC insurance and with public funds accounts backed by 110% in eligible securities as collateral. The District's funds are also authorized to be invested in the California Asset Management Program (CAMP) and the Local Agency Investment Fund (LAIF).

All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or the Installment Purchase Agreement, or other amounts held by the District, could have a material adverse affect on the District's finances. See the audited financial statements of the District attached hereto as Appendix B for a description of the District's investments at December 31, 2011.

The District's investment policy may be changed at any time by the Board (subject to the State law provisions relating to authorized investments) and as the California Government Code is amended. There can be no assurance, therefore, that the State law and/or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under State law or the Investment Policy or that the objectives of the District with respect to investments or its investment holdings at any point in time will not change.

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 the four Fiscal Years ended December 31, 2011 and the unaudited financial statements for the year ended December 31, 2012. A copy of the most recent audited financial statements of the District for Fiscal Year ended December 31, 2011, including the unqualified opinion letter of Terry E. Krieg, CPA (the "Auditor") 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 Auditor has not reviewed the information set forth in the following table.

Woodbridge Irrigation District
Historical Revenues, Expenses and Debt Service Coverage

	2008	2009	2010	2011	2012
Water Deliveries (Acre-feet)	60,000	61,347	60,000	60,000	60,000
Water Delivery Charge	\$15.38	\$15.98	\$15.98	\$16.14	\$16.14
Water Standby Charge / acre	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
Groundwater Recharge Fees / acre	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Operating Revenues:					
Irrigation Water Sales ⁽¹⁾	316,000	354,000	369,000	361,000	362,000
Municipal Water Sales ⁽²⁾	1,200,000	1,200,000	2,524,000	2,574,480	2,625,970
Water Standby Charges	121,601	121,424	120,598	120,929	120,651
Groundwater Recharge Fees	59,421	59,227	59,003	49,345	48,852
Other Operating Revenues	1,680,549	110,962	155,580	136,483	199,207
Total Operating Revenue	<u>3,377,571</u>	<u>1,845,613</u>	<u>3,228,181</u>	<u>3,242,237</u>	<u>3,356,680</u>
Other Revenue (expense):					
Gain on Sale of Capital Assets	64,300	5,192	—	—	—
Property Taxes	570,729	451,669	400,413	395,428	409,490
Interest Income	169,929	104,908	41,700	19,865	13,157
Total Other Operating Revenue	<u>804,958</u>	<u>561,769</u>	<u>442,113</u>	<u>415,293</u>	<u>422,647</u>
Total Revenues	<u>4,182,381</u>	<u>2,407,305</u>	<u>3,670,217</u>	<u>3,657,053</u>	<u>3,736,466</u>
Operating Expenses:					
Personnel & Related Benefits	962,270	996,716	889,182	854,328	970,913
Utilities	22,982	23,257	24,957	22,997	38,463
Vegetation & Weed Control	43,408	56,259	88,521	59,965	28,695
Insurance	26,708	32,761	34,985	40,071	41,338
Vehicle Operation & Maintenance	48,388	34,608	42,725	52,260	74,725
Other Supplies & Expenses	525,880	344,752	257,063	171,953	147,371
Depreciation & Amortization	455,545	571,465	556,644	558,273	570,500
Total Operating Expenses	<u>2,085,181</u>	<u>2,059,818</u>	<u>1,894,077</u>	<u>1,759,847</u>	<u>1,872,005</u>
Net Income	2,097,348	347,564	1,776,217	1,897,683	1,907,322
Add back Depreciation Expense	455,545	571,465	556,644	558,273	570,500
Cash Available for Debt Service	<u>2,552,893</u>	<u>919,029</u>	<u>2,332,861</u>	<u>2,455,956</u>	<u>2,477,822</u>
Debt Service	920,618	920,555	919,953	918,661	916,641
Debt Service Coverage Ratio ⁽³⁾	2.77x	1.00x	2.54x	2.67x	2.70x

Source: Woodbridge Irrigation District

- (1) Represents amounts to be received under the Lodi Water Sales Agreement See "DISTRICT WATER SYSTEM-Agreement for Purchase of Water by Lodi from the District" herein.
- (2) Includes a one time payment to the District of \$438,100 relating to a canal realignment. Other Operating Revenues include amounts received under Lodi Drainage Agreement and Sebastiani Drainage Agreement and from encroachment and permit fees. Drainage fees totaled \$78,394 in 2002 and increase 3% annually per the terms of the contracts. The amount of encroachment and permit fees vary year to year. In that year, the District received a settlement from the EBMUD of \$1,500,000. The District sold water to the EBMUD for that amount.
- (3) The 2009 coverage of 1.00x was a result of the District's incorrect categorization of current expenditures that should have been accounted for as capital expenditures. Had these items been categorized correctly, the debt service coverage ratio in 2009 would have been 1.15x.

Projected Operating Results of the District

Estimated projected operating results and debt service coverage for the District for the current and next four 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.

Woodbridge Irrigation District Projected Revenues, Expenditures and Debt Service Coverage Fiscal Years 2013 to 2017

	2013	2014	2015	2016	2017
Water Deliveries (Acre-feet)	60,000	60,000	60,000	60,000	60,000
Water Delivery Charge	\$16.94	\$17.78	\$18.66	\$19.59	\$20.37
Water Standby Charge / acre	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
Groundwater Recharge Fees / acre	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Operating Revenues:					
Irrigation Water Sales	335,095	351,850	369,443	380,527	395,748
Municipal Water Sales	2,678,488	2,732,057	2,786,698	2,842,431	2,956,128
Water Standby Charges	120,500	120,500	120,500	120,500	120,500
Groundwater Recharge Fees	48,852	48,852	48,852	48,852	48,852
Other Operating Revenues	144,794	149,137	153,611	158,219	162,120
Total Operating Revenue	<u>3,327,729</u>	<u>3,402,396</u>	<u>3,479,104</u>	<u>3,550,529</u>	<u>3,683,348</u>
Other Revenue:					
Property Taxes	410,000	395,000	395,000	395,000	395,000
Interest Income	13,157	13,157	13,157	13,157	13,157
Gain on Sale of Property and Equipment	7,000	3,500	3,500	3,500	3,500
Total Other Revenue	<u>430,000</u>	<u>408,157</u>	<u>408,157</u>	<u>408,157</u>	<u>408,157</u>
Total Revenues	<u>3,757,729</u>	<u>3,810,553</u>	<u>3,887,261</u>	<u>3,958,686</u>	<u>4,091,505</u>
Operating Expenses:					
Personnel & Related Benefits	888,842	906,618	924,750	943,245	960,000
Utilities	25,353	26,620	27,951	29,348	30,228
Vegetation & Weed Control	55,000	69,416	69,416	72,886	75,073
Insurance	47,419	48,841	50,307	51,816	53,370
Vehicle Operation & Maintenance	55,441	57,104	58,817	60,581	62,398
Other Supplies & Expenses	177,765	183,005	188,495	194,150	199,975
Depreciation & Amortization	558,273	558,273	558,273	558,273	558,273
Total Operating Expenses	<u>1,808,093</u>	<u>1,849,877</u>	<u>1,878,009</u>	<u>1,910,299</u>	<u>1,939,317</u>
Net Income	1,949,636	1,960,676	2,009,252	2,048,387	2,152,188
Add back Depreciation Expense	558,273	558,273	558,273	558,273	558,273
Cash Available for Debt Service	<u>2,507,909</u>	<u>2,518,949</u>	<u>2,567,525</u>	<u>2,606,660</u>	<u>2,710,461</u>
Debt Service (1)	833,508	753,313	756,176	753,537	755,173
Debt Service Coverage (1)	3.01x	3.34x	3.40x	3.46x	3.59x
Assuming no Stockton Revenues:					
Cash Available for Debt Service	<u>1,128,340</u>	<u>1,111,789</u>	<u>1,132,222</u>	<u>1,142,652</u>	<u>1,160,325</u>
Debt Service (1)	833,508	753,313	756,176	753,537	755,173
Debt Service Coverage (1)	1.35x	1.48x	1.50x	1.52x	1.54x

Source: Woodbridge Irrigation District

(1) Projected.

Even if the District's contract with Stockton was impaired and the District's revenues were reduced by the amounts from Stockton, assuming 2012 revenues available for debt service without Stockton (\$1,082,411) and projected maximum annual debt service (\$758,086), the District's projected debt service coverage would still be 1.47 times.

Factors Generally Affecting Agriculture

A significant portion of the land within the District is under commercial agricultural cultivation. A number of factors, including but not limited to weather conditions, crop prices, disease and crop predation, Federal and State agricultural and environmental policies, national and international trade policies, soil quality, drainage or other soil conditions, operational conditions as well as general economic conditions may adversely affect the ability of some ratepayers or property owners to pay for water, standby charges and ground water charges. If one or a combination of these factors adversely impacts the ability of the owners or ratepayers to make such payments, the collection of water rates and related charges would decline.

CITY OF LODI MUNICIPAL WATER SYSTEM

Lodi was incorporated as a general law city on December 6, 1906. Lodi is located in the San Joaquin Valley between Stockton, two miles to the south, and Sacramento, 35 miles to the north, and adjacent to U.S. Highway 99, approximately 90 miles east of San Francisco. Lodi is located on the main line of the Union Pacific Railroad and is within five miles of Interstate 5. Lodi encompasses an area of approximately 12 square miles, and, as of January 1, 2012, the population was 62,825. Lodi has grown steadily since incorporation in 1906.

Lodi provides a wide range of municipal services, including public safety (police, fire and graffiti abatement), public utilities services (electric, water and sewer), transportation services (streets, flood control and transit), leisure, cultural and social services (parks and recreation, library, and community center), and general government services (management, human resources administration, financial administration, building maintenance and equipment maintenance).

In 1910, Lodi officially began operation of its Lodi water system (the "Lodi Municipal Water System"), as well as Lodi's electric utility. The water service area of the Lodi Municipal Water System is within the city limits of Lodi. One hundred and three years ago, the Lodi Municipal Water System consisted of only two wells and a few miles of water mains. Currently, there are 28 groundwater production wells, over 237 miles of water pipes, two water storage tanks (a 100,000 gallon elevated tank and a one million gallon ground level storage tank with booster pumping station). Lodi delivers water to substantially all of the residential, commercial and industrial population of the City. In addition, Lodi provides water service to a small 21 unit residential subdivision outside the City, pursuant to an agreement with San Joaquin County.

Groundwater is generally pumped directly from the wells into Lodi's distribution system. Most of the larger water mains are 10- and 12-inch diameter pipelines which have been installed by Lodi. The installation of smaller pipelines in subdivisions is typically the responsibility of developers.

The following table sets forth statistical information relating to the Lodi Municipal Water System during the five most recent calendar years:

**Lodi Municipal Water System
Water System Statistics**

	Calendar Year Ended December 31				
	2008	2009	2010	2011	2012
Lodi Population Served	63,313	63,362	62,134	63,133	62,825
Total Water Production (Million Gallons)	5,593	5,231	4,889	4,827	4,958
Capacity (Gallons per Minute)	33,700	33,700	33,700	33,700	33,700
Average Daily Distribution (Million Gallons)	15.2	14.3	13.4	13.2	13.5
Average Daily Production Per Capita (Gallons)	242	226	216	209	216

Sources: City of Lodi Public Works Department.

Water rates, system expansion projects, and significant purchases are authorized by the Lodi City Council, which serves as the water utility's official regulatory body. As of July 1, 2012, Lodi had 51 full-time equivalent employee positions budgeted for the Water and Wastewater System. The Lodi Municipal Water System currently has 25 full-time employees and 3 part-time employees. Employees are represented by the American Federation of State, County and Municipal Employees Maintenance and Operators Bargaining Unit, whose current Memorandum of Understanding expires on December 31, 2013. Lodi has never experienced a labor strike.

Lodi's Annual Financial Report for the Fiscal Year ended June 30, 2012 was audited by Macias Gini & O'Connell LLP, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by Lodi. Copies of this and prior reports are available on request from the Lodi Finance Department, 212 West Pine Street, Lodi, CA 95240.

CITY OF STOCKTON MUNICIPAL WATER SYSTEM

Stockton was incorporated as a charter city on July 23, 1850 and is the county seat of San Joaquin County. Located in the San Joaquin Valley, Stockton is 78 miles east of the San Francisco Bay Area, 345 miles north of Los Angeles and 40 miles south of Sacramento. Due to its position at the "crossroads" of the Central Valley, Stockton serves as a major shipping point for many agricultural and manufactured products from Northern California, and with its proximity to an extensive highway system, the City is easily accessible from all over California. Interstate 5 and Route 99, two of California's major north-south thoroughfares, pass through the city limits, along with the east-west highway Route 4, which provides access to the San Francisco Bay Area and the Sierra Nevada Mountains. Stockton is within an hour's drive to Interstate 80, Interstate 205, and Interstate 580. In addition, the City is located on main lines of the Union Pacific Railroad and the Burlington Northern Santa Fe Railroad. The Altamont Commuter Express Train provides commuter express train service from Stockton to Silicon Valley, California, with multiple daily departures. Stockton is comprised of an area of approximately 61.7 square miles, and, as of January 1, 2012, the population was 295,707.

The Port of Stockton is a fully operating seaport, approximately 75 nautical miles east of the Golden Gate Bridge in San Francisco. Located on the San Joaquin River, the deepwater port operates a 2,000 acres transportation center including berthing space for 17 cargo vessels, approximately 1 million square feet of dockside transit sheds and shipside railroad tracks and almost 8 million square feet of warehousing.

Stockton provides a full range of municipal services, including public safety (police, fire, paramedics, water rescue and building inspection), public utilities services (sanitation (solid waste disposal, wastewater and stormwater utilities) and water utility), community development, library, parks and recreation and general government services (management, human resources administration, financial administration, building maintenance and equipment maintenance).

The Stockton Water Utility (the “Water Utility”) is one of three utilities managed, operated, and maintained by the Stockton Municipal Utilities Department (the “COSMUD”). The two other utilities are wastewater and stormwater. The Water Utility is comprised of the regional water distribution system and various well sites and reservoirs located throughout the City. Stockton currently meets its water demands from a combination of sources that include: (a) wholesale treated surface water from the Stockton East Water District (SEWD) through a purchase contract expiring in the year 2035, (b) surface water from the San Joaquin River from the Delta Water Supply Project (DWSP), (c) surface water from the Mokelumne River from the Woodbridge Irrigation District through a purchase contract expiring in the year 2048, and (d) appropriate overlying groundwater rights from the basin aquifer underlying the COSMUD service area. Stockton plans to split the main supply between SEWD and the DWSP and supplement the San Joaquin River water with Woodbridge Irrigation District water when the San Joaquin water is curtailed for environmental reasons. Ground water continues to be a vital conjunctive water supply for Stockton and is needed in critical dry years, for reliable source redundancy, and to maintain public health and safety. In 2011, approximately 17% of the water supplied to the Water System originated from groundwater wells owned by Stockton, with the remainder being treated surface water from SEWD. Seven water reservoir sites provide for temporary storage of up to 21 million gallons of drinking water. The Water Utility delivered 11.6 billion gallons of water to over 47,400 individual service connections serving an estimated population of 171,500 in North and South Stockton during 2011. Currently, there are 26 active groundwater wells, over 600 miles of water main lines, 21 MG of storage capacity, and 7 water reservoirs

The City operates two independent water systems within the City. One serving an area in the northern area of the City (the “North Water System”) and the other serving the southern area of the City comprised of the Metropolitan Airport and County Hospital/Jail complex area (the “South Water System”). The central Stockton water service area is owned and operated by California Water Services Company (“Cal Water”), a private water company. In addition, there are two smaller developed areas served by San Joaquin County maintenance districts.

The City’s Water Enterprise (the “Water System”) commenced service in the northern area of the City in 1954 with 18 customers, in the southern area of the City in 1984. Since 1969, the Water System has been operated as an enterprise relying solely on revenues and fees generated from the sale of water and services. The Water System receives no support from the City’s General Fund or other revenues.

Until 1977, groundwater was the sole source of domestic water for the Stockton area. A surface water supply was established in 1977, when the Stockton East Water District (the “SEWD”), a special district water wholesaler, began operating a treatment plant. The SEWD plant currently treats up to 65 MGD Calaveras River and Stanislaus River water. Following treatment, the water is distributed among the City, Cal Water, and two County Maintenance Districts in proportion to the total amount of water use that each agency comprises in the Stockton region. The City’s current allocation accounts for approximately 37.6% of the SEWD plant output, a reduction of more than 50% in previous years due to Stockton’s new water treatment plant that commenced operations in May 2012.

The following table sets forth statistical information relating to the Stockton Municipal Water System during the five most recent calendar years:

**Stockton Municipal Water System
Water System Statistics**

	Calendar Year Ended December 31				
	2008	2009	2010	2011	2012
Stockton Population Served ⁽¹⁾	167,051	168,344	169,954	171,459	171,634
Total Water Production (Million Gallons)	12,428	11,940	11,487	11,642	12,088
Average Daily Distribution (Million Gallons) ⁽²⁾	31.77	30.93	28.70	28.06	29.75
Average Daily Production Per Capita (Gallons) ⁽³⁾	200	184	175	176	182

Sources: City of Stockton Public Works Department.

(1) Stockton's Water System serves a portion of the Stockton. The rest is served by Cal Water.

(2) Total demand, including the Count, divided by 365 days..

(3) Does not include water wholesaled to the County.

Water rates, system expansion projects, and significant purchases are authorized by the Stockton City Council, which serves as the water utility's official regulatory body. As of June 30, 2011, Stockton had 41 full-time equivalent employee positions budgeted for the Water. The Stockton Municipal Water System currently has 50 full-time employees. Employees are represented by the American Federation of State, County and Municipal Employees Maintenance and Operators Bargaining Unit, whose current Memorandum of Understanding expires on June 30, 2013. Stockton has never experienced a labor strike.

Stockton's Annual Financial Report for the Fiscal Year ended June 30, 2011 was audited by Maze & Associates, Pleasant Hill, California, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by Stockton. The report includes certain notes to the financial statements which may not be fully described below. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available on request from the Stockton Finance Department, 425 North El Dorado Street, Stockton, CA 95202.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII B

Under Article XIII B of the California Constitution, state and local government entities have an annual "appropriations limit" which limits their ability to spend certain moneys called "appropriations subject to limitation," which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The District, Lodi and Stockton are each of the opinion that their respective water rates and charges do not exceed the costs reasonably borne in providing their respective water service. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIII B, if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Proposition 218

On November 5, 1996, the voters of the State-approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII D established procedural requirements for imposition of assessments, which are defined as any charge on real property for a special benefit conferred upon the real property. Standby charges are classified as assessments. Procedural requirements for the adoption of new assessments or standby charges or increases in such charges after 1996 include the conducting of a public hearing and an election by mailed ballot, 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.

For many years prior to the enactment of Proposition 218 in 1996, the District has levied and continues to levy each year, under Section 22280 of the Irrigation District Law, a standby charge of \$5.00 per acre against all lands within the District to which water is available from the District canal system. Similarly, prior to 1996, the District levied and continues to levy each year under Section 22280, a groundwater recharge fee of \$2.00 per acre against upon all lands within a large, defined area of the District whose groundwater supply is recharged as a result of canal seepage from District canals from the infiltration of District water applied to crops, and from the relieving of pumping by surface water users taking water from the District canal system. Both of these District charges pre-dated Proposition 218 and both are levied to finance a portion of the cost of maintenance and operation expenses of the District’s Water System. The District believes that continuing the annual levy of these charges need not comply with the Proposition 218 requirements. If the District were to propose an increase in the amount of either the standby charge or the groundwater recharge fee, the Proposition 218 requirements set forth in Section 4 of Article XIII D would presumably have to be complied with.

Section 6 of Article XIII D conditions the imposition or increase of any “fee” or “charge” upon there being no written majority protest after a required public hearing and, for fees and charges other than for sewer, water or refuse collection services, voter approval. Article XIII D defines “fee” or “charge” to mean levies (other than ad valorem or special taxes or assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a “property-related service.” One of the requirements of Article XIII D is that before a property-related fee or charge may be imposed or increased, a public hearing upon the proposed fee or charge must be held and mailed notice sent to the record owner of each identified parcel of land upon which the fee or charge is proposed for imposition. In the public hearing if written protests of the proposed fee or charge are presented by a majority of the owners of affected identified parcel(s), an agency may not impose the new or increased fee or charge.

In addition to its standby and groundwater recharge fees, the District levies a per-acre foot water charge based upon water usage by landowners, tenants and other users who apply each year to take water from the District’s Water System. A charge per acre-foot is fixed by the District each year (\$16.14 per acre foot in 2012), which is also applied to the metered water usage. If water is unmetered, the charge is based upon usage, determined by multiplying the average irrigated by the crop duty assigned to the type of crop to be irrigated by the applicant (e.g., 4.0 acre foot for alfalfa, 3.1 acre foot for orchard, 2.4 acre foot for vineyard).

In a July 24, 2006 decision of the California Supreme Court, *Bighorn-Desert View Water Agency vs Kelley*, 39 Cal. 4th 205, it was indicated that water rate increases are subject to the

requirements of Section 6 of Article XIII D (Proposition 218), which sets forth several requirements for rate increases. The *Bighorn* case effectively established that water rate increases by the District, and by Lodi and Stockton as well, will be required to comply with Section 6 of Article XIII D, including the requirements that:

- written notice must be given to each parcel owner of the proposed rate increase, the basis of and reasons for the increase; and
- a public hearing must be held on the proposed increase, at which written protests may be filed by parcel owners, and a protest by a majority of the owners of the parcels defeats the increase in the fee or charge.

Article XIII C of the California Constitution also removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Consequently, the voters of the District, Lodi or Stockton could, by future initiative, seek to repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. No assurance can be given that the voters of the District, Lodi or Stockton will not, in the future, approve initiatives which seek to repeal, reduce or prohibit the future imposition or increase of assessments, or water service fees or charges of their respective entities. A significant portion of the District's Net Water System Revenues pledged to the payment of the Certificates is expected to be delivered from amounts received by the District from Lodi pursuant to the Lodi Water Sales Agreement, which amounts are payable by Lodi from revenues of the Lodi Municipal Water System. A significant portion of the District's Net Water System Revenues pledged to the payment of the Certificates is expected to be delivered from amounts received by the District from Stockton pursuant to the Stockton Water Sales Agreement, which amounts are payable by Stockton from revenues of the Stockton Municipal Water System.

THE CORPORATION

The Corporation was organized in May 2003, pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code) for the purpose of rendering assistance to the District by acquiring, constructing and financing irrigation water system facilities for the production, storage and delivery of water for the use and benefit of the District. The Corporation was formed at the request of the District. The Board of Directors of the District serve as the Board of Directors of the Corporation.

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 Water System 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 Water System 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 Water System 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 Water System 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 Water System Revenues to pay the accelerated payments.

Limitations on Remedies Available

The ability of the District to comply with its covenants under the Installment Sale Agreement and to generate Net Water System 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 XIIIC and XIIID 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 Water System 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

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the District has entered into an agreement with The Bank of New York Mellon Trust Company, N.A., as Dissemination Agent (the “Dissemination Agent”), for the benefit of holders of the Certificates to provide certain financial information and operating data relating to the District and the balances of funds relating to the Certificates, by not later than April 1 of each fiscal year commencing with the report for the 2012-13 fiscal year (the “Annual Information”), and to provide notices of the occurrence of certain enumerated events, if deemed by the District to be material. The Annual Information and notices of material events will be filed by the District or the Dissemination Agent, with the Municipal Securities Rulemaking Board (the “MSRB”), via its Electronic Municipal Market Access (“EMMA”) system. The nature of the information to be provided in the Annual Information and the notices of material events is set forth in APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The District has determined that it had not fully complied with its continuing disclosure submissions with respect to the 2003 Certificates and the 2007 Certificates in that some of those submissions have been late and others have not been made. Consequently, the District has recently made all required submissions for the last five years. In addition, the District has retained the Dissemination Agent to serve as dissemination agent for all future required continuing disclosure submissions. Previously, the District served as its own dissemination agent.

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.

FINANCIAL ADVISOR

The District has retained Wulff, Hansen & Co., San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the execution and delivery of the Certificates. The Financial 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 Financial Advisor has not audited, authenticated or otherwise independently verified any of the data contained herein. The Financial 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 Financial 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 Financial Advisor are contingent upon the sale and delivery of the Certificates.

CERTAIN LEGAL MATTERS

Quint & Thimmig LLP, San Francisco, 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, San Francisco, California, Disclosure Counsel. Certain matters will be passed upon by for the District and the Corporation by Gallery & Barton, Sacramento, 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 Water System Revenues, or the collection of the payments to be made pursuant to the Installment Sale Agreement.

RATINGS

S&P is expected to assign the rating of "AA-" (stable outlook) to the Certificates based on the issuance of the Municipal Bond Insurance Policy by AGM. See "MUNICIPAL BOND INSURANCE." In addition, S&P has assigned the underlying rating of "A+" (stable outlook) to the Certificates without regard to the issuance of the Municipal Bond Insurance Policy. These ratings reflect 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 ratings will continue for any given period of time or that such ratings 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

The Certificates are being 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 \$_____, less a net original issue discount of \$_____, and less an Underwriter's discount of \$_____). The Purchase Agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said Purchase Agreement, approval of certain legal matters by counsel and certain other conditions. 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 Anders Christensen, the Manager (and Board Secretary) of the Woodbridge Irrigation District, P.O. Box 850, Woodbridge, CA 95258.

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.

WOODBIDGE IRRIGATION DISTRICT

By _____
Manager

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Installment Sale Agreement, the Assignment Agreement and the Trust Agreement prepared for Certificates. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. Copies of said documents are available from the District and from the Trustee.

DEFINITIONS

"Acquisition Agreement" means the Acquisition Agreement, dated as of February 1, 2013, 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 the Installment Sale Agreement.

"AGM" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assigns thereof.

"Assignment Agreement" means the Assignment Agreement, dated as of February 1, 2013, by and between the Corporation and the Trustee, together with any duly authorized and executed amendments thereto.

"Assignment Agreement" means the agreement by that name, dated as of April 1, 2013, by and between the Corporation and the Trustee, together with any amendments or supplements thereto.

"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 the Trust Agreement.

"Certificates" means the Certificates of Participation executed and delivered pursuant to the Trust Agreement.

"District" means the Woodbridge Irrigation District, an irrigation district duly organized and existing under the Constitution and laws of the State.

"District Representative" means the President, the Vice President, the 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 April 18, 2013, 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 Woodbridge Irrigation District Public Facilities Financing Corporation, 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.

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

"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) subject to the prior written consent of the Insurer, pre refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (e) subject to the prior written consent of AGM, 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, the premiums for the Municipal Bond Insurance Policy and the Reserve Fund Municipal Bond Insurance Policy and charges and fees in connection with the foregoing.

"Delivery Costs Fund" means the fund by that name established pursuant to the Trust Agreement and held by the Trustee.

"Escrow Bank" means The Bank of New York Mellon Trust Company, N.A., or any successor thereto, acting as escrow bank pursuant to the 2003 Escrow Agreement and the 2007 Escrow Agreement.

"Event of Default" means an event of default under the Installment Sale Agreement.

"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 the Installment Sale Agreement.

"Installment Payment Date" means the 15th day of each June and December, commencing June 15, 2013.

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

"Installment Sale Agreement" means the agreement by that name, dated as of April 1, 2013, 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 the Trust Agreement and held by the Trustee.

"Interest Payment Date" means January 1 and July 1 of each year, commencing July 1, 2013.

"Moody's" means Moody's Investors Service, New York, New York, or its successors.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by AGM guaranteeing the payment, when due, of the principal and interest with respect to the Certificates.

"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 Water System 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 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 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 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 Water System 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 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:

- (a) United States Treasury Obligations;
- (b) Federal Housing Administration debentures;
- (c) The following listed obligations government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - (i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),
 - (ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,
 - (iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations,
 - (iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),
 - (v) Financing Corporation (FICO) debt obligations, and
 - (vi) Resolution Funding Corporation (REFCORP) debt obligations;
- (d) Unsecured certificates of deposit (including those placed by a third party pursuant to an agreement between the District and the Trustee), time deposits, demand deposits, overnight bank deposits, interest bearing deposits, trust accounts, trust funds, interest bearing money market accounts, money market deposit accounts and bankers' acceptances (having maturities of not more than 30 days) including those of the Trustee or any of its affiliates of any bank the short-term obligations of which are rated "A-1" or better by S&P;
- (e) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million;
- (f) Commercial paper (having original maturities of not more than 30 days) rated "A-1+" by S&P and "Prime-1" by Moody's;
- (g) Money market mutual funds rated in the highest rating category by S&P and Moody's including such funds for which the Trustee or an affiliate provides investment advice, or other services such as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Trust Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;
- (h) "State Obligations," which means:
 - (i) Direct general obligations of any state of the United States of America or any subdivision of agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any

obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated,

(ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated "A-1+" by S&P and "MIG-1" by Moody's, and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (i) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

(i) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions,

(ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations,

(iii) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification"),

(iv) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations

(v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification, and

(vi) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) Repurchase or reverse repurchase agreements collateralized with United States Treasury Obligations with

(i) any domestic bank (including the Trustee or any of its affiliates), or domestic branch of a foreign bank, the long term debt of which is rated at least "AA" by S&P and Moody's, or

(ii) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "AA" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or

(iii) any other entity rated "AA" or better by S&P and Moody's and acceptable to AGM, provided that:

(A) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach),

(B) The Trustee or a third party acting solely as agent therefor or for the District (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books),

(C) The repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession),

(D) All other requirements of S&P in respect of repurchase agreements shall be met, and

(E) The repurchase or reverse repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Trustee (who shall give such direction if so directed by AGM), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

Notwithstanding the above, if a repurchase or reverse repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt is rated at least "AA" (stable) by S&P and "Aa" (stable) by Moody's, or, in the case of a monoline Municipal Bond Insurance company, claims paying ability of the guarantor is rated at least "AAA" (stable) by S&P and "Aaa" (stable) by Moody's; provided that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service with respect to the Certificates;

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the District and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iv) the District and the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the District, the Trustee and AGM) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the District, the Trustee and AGM;

(v) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A"

rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the District or the Trustee (who shall give such direction if so directed by AGM), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee, and

(vi) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(vii) the investment agreement must provide that if during its term:

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Trustee (who shall give such direction if so directed by AGM), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate, and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate.

(l) 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.

(m) other forms of investments (including repurchase agreements) approved in writing by AGM.

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

"Principal Corporate Trust Office" means the corporate trust office of the Trustee in San Francisco, 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 2003 Project and the 2007 Project, more fully described in the Installment Sale Agreement.

"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.

"Reserve Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Reserve Fund Municipal Bond Insurance Policy" means the Municipal Bond Insurance Policy issued by AGM for deposit in the Reserve Fund in an amount equal to the Reserve Requirement.

"Reserve Requirement" means an amount equal to the least of maximum annual Installment Payments, 125% of average annual Installment Payments, and 10% of the principal amount of the Certificates, which amount shall be \$_____ on the Closing Date.

"S&P" means Standard & Poor's Ratings Services, New York, New York, or its successors.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th 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 Water System 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 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 April 1, 2013, by and among the Trustee, the Corporation and the District, together with any amendments or supplements thereto permitted to be made thereunder.

"2003 Certificates" means the District's 2003 Revenue Certificates of Participation (2003 Water System Project), originally delivered in the principal amount of \$11,745,000, of which \$10,655,000 is currently outstanding.

"2003 Escrow Agreement" means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and between the District and the Escrow Bank, relating to the defeasance of the 2003 Certificates.

"2003 Escrow Fund" means the fund by that name maintained by the Escrow Bank under and pursuant to the 2003 Escrow Agreement.

"2007 Certificates" means the District's Certificates of Participation (2007 Capital Improvement Project), originally delivered in the principal amount of \$3,335,000, of which \$3,015,000 is currently outstanding.

"2007 Escrow Agreement" means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and between the District and the Escrow Bank, relating to the defeasance of the 2007 Certificates.

"2007 Escrow Fund" means the fund by that name maintained by the Escrow Bank under and pursuant to the 2007 Escrow Agreement.

"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 the Trust Agreement or the Installment Sale Agreement, each such certificate shall include the statements provided for in the Trust Agreement or the Installment Sale Agreement.

INSTALLMENT SALE AGREEMENT

Sale

Upon the terms and conditions set forth in the Installment Sale Agreement, the Corporation sells, bargains and conveys the Project to the District, and the District purchases the Project from the Corporation.

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.

Term of the Installment Sale Agreement

The Term of the Installment Sale Agreement shall commence as of the Closing Date and shall end on July 1, 2043, unless such term is extended or sooner terminated. If on July 1, 2043, 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 July 1, 2043, the Trust Agreement shall be discharged by its terms, the Term of the Installment Sale Agreement shall thereupon end.

Installment Payments

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 the Installment Sale Agreement, 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. The first Installment Payment shall be due on June 15, 2013.

Reduction Upon Partial Prepayment. In the event the District prepays less than all of the remaining principal components of the Installment Payments, 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.

Rate on Overdue Payments. In the event the District should fail to make any of the payments required in Installment Sale Agreement 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.

Assignment. The District understands and agrees that the Corporation has assigned its right, title and interest (but not its duties or obligations) in the 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 directs the District, and the District 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 Installment Sale Agreement.

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 in the Installment Sale Agreement 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 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 Project, 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 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 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 the Installment Sale Agreement.

Nothing contained in Installment Sale Agreement 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 under the Installment Sale Agreement, and in such event the Corporation 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.

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

Pledge of Net Revenues. The District 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 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 indicated in the Installment Sale Agreement as 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 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.

Limitation on Use of Net Revenues for Capital Improvements. The District 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 the Installment Sale Agreement as described above.

Rate Covenant

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 Gross Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.20 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt.

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 Revenues insufficient in each Fiscal Year to provide Net Revenues equal to at least 1.20 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 1.20 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 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 District Council 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 District Council 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 the 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, 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 the 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 the Installment Sale Agreement or be construed as constituting a waiver of any other Event of Default.

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 agrees that the District shall not, so long as any Certificates are outstanding, issue or incur any obligations payable from Gross Revenues or Net Revenues superior to the Installment Payments or such Parity Debt.

Parity Debt. The District further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to 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) 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 Parity Debt is issued or incurred, as shown by the books of the District, plus, at the option of the District, the additional allowance described below, shall have amounted to at least 1.20 times the sum of the maximum Installment Payments coming due and payable in any future Fiscal Year and the maximum annual debt service on all Parity Debt outstanding immediately subsequent to the incurring of such additional obligations.

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 Parity Debt shall be paid on the Interest Payment Dates.

(iv) Principal with respect to such Parity Debt shall be paid on July 1.

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

(i) 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, as shown by the books of the District shall, after deducting all amounts required for the payment of Installment Payments and any Parity Debt, have amounted to at least 1.00 times the sum of the maximum annual debt service on all Subordinate Debt outstanding immediately subsequent to the incurring of such additional obligations. 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, may be added 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.

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

(iii) Principal with respect to such Subordinate Debt shall be paid on July 1.

State Loans. The District may borrow moneys from the State to finance improvements to the Water System (a "State Loan"), which shall constitute Parity Debt, however the District shall not be required to comply with the requirements of clauses (iv) and (v) of paragraph (b) above. The District shall not make a payment on a State Loan with payment dates that precede the Interest Payment Dates if to do so would cause the District to fail to make a timely payment of the Installment Payments or other Parity Debt and, in such case, the District shall make such payment on a State Loan only to the extent that available Net Revenues would be paid with respect to such State Loan, the Installment Payments and payments with respect to other Parity Debt 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, compensation due to the Trustee for its fees, costs and expenses incurred under the Trust Agreement and the Assignment Agreement and all costs and expenses of attorneys, auditors, engineers and accountants.

Certain Covenants

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.

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 the 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 Installment Sale Agreement, 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.

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 District, its 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 joint exercise of powers authority 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 manager on an annual basis. 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.

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 joint exercise of powers authority 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 manager on an annual basis. The Net Proceeds of such insurance shall be applied as provided below.

Application of Net Proceeds.

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 Installment Sale Agreement. 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. 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.

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 the Trust Agreement.

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.

Tax Covenants.

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.

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.

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.

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.

Assignment, Sale and Amendment

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

Assignment, Sale and Disposition by the District. The 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 the Installment Sale Agreement.

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

(a) The Installment Sale Agreement and the obligation of the District to make Installment Payments under the Installment Sale Agreement 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.

Amendment of Installment Sale Agreement. Without the written consent of the Trustee, the District will not alter, modify or cancel or agree or consent to alter, modify or cancel the Installment Sale Agreement; excepting only as such alteration or modification may be permitted by the Trust Agreement.

Events of Default and Remedies

Events of Default Defined. The following shall be “events of default” under the Installment Sale Agreement and the terms “events of default” and “default” shall mean, whenever they are used in the 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 under the Installment Sale Agreement at the time specified in the Installment Sale Agreement; or

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Installment Sale Agreement or the Trust Agreement, other than as referred to in clause (a) above, 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 cannot be corrected within the applicable period, the Corporation, the Trustee or such Owners, as applicable, 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.

Remedies on Default. Whenever any event of default referred to in Installment Sale Agreement 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 the Installment Sale Agreement.

No Remedy Exclusive. No remedy conferred upon or reserved to the Corporation in the Installment Sale Agreement is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the 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.

Security Deposit

Notwithstanding any other provision of the Installment Sale Agreement, the District may, on any date, secure the payment of Installment Payments by a deposit with the Trustee, as escrow holder under an escrow deposit and trust agreement, of:

(a) in the case of a security deposit relating to all Installment Payments, either (i) 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 the Installment Sale Agreement, or (ii) Federal Securities, together with cash, if required, in such amount as will, in the opinion of nationally-recognized bond counsel and of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Federal Securities then on deposit in the Installment Payment Fund, be fully sufficient to pay all unpaid Installment Payments on their Installment Payment Date; or

(b) in the case of a security deposit relating to a portion of the Installment Payments both (i) a certificate executed by a District Representative designating the portion of the Installment Payments to which the deposit pertains, and (ii) cash or Federal Securities, in such amount as will, together with interest to be received thereon, if any, and an allocable portion of amounts on deposit in the Installment Payment Fund, be fully sufficient in the opinion of an independent certified public accountant, to pay the portion of the Installment Payments designated in the aforesaid District Representative's certificate.

In the event of a deposit described above, all obligations of the District under the Installment Sale Agreement pertaining to the portion of the Project for which the deposit has been made shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments, or the portion of Installment Payments to which the deposit pertains, from the deposit made by District. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of the Installment Sale Agreement. Upon said deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to release the security provided by the Installment Sale Agreement to the extent of such deposit.

ASSIGNMENT AGREEMENT

The Assignment Agreement is entered into between the Corporation and the Trustee, pursuant to which the Corporation assigns and transfers to the Trustee, for the benefit of the Owners, certain of the rights of the Corporation under the Installment Sale Agreement, including the right to receive Installment Payments under the Installment Sale Agreement and the rights and remedies of the Corporation under the Installment Sale Agreement to enforce payment of Installment Payments or otherwise to protect and enforce the Installment Sale in the event of default by the District. Certain rights of the Corporation to payment of advances, indemnification and attorneys' fees and expenses are not assigned.

TRUST AGREEMENT

Payment of Delivery Costs

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

The Trustee shall be responsible for the safekeeping and investment of the moneys held in the Delivery Costs Fund and the payment thereof but the Trustee shall not be responsible for such requisitions.

Upon written notice from a District Representative that all Delivery Costs have been paid, but in no event later than October 18, 2013, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Installment Payment Fund, the Delivery Costs Fund shall be closed and the Trustee shall no longer be obligated to make payments for Delivery Costs.

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 certain of its rights therein), 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 to the Trust Agreement. 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.

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 the Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

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 the Installment Sale Agreement, and any other moneys required to be deposited therein pursuant to the Installment Sale Agreement or pursuant to the Trust Agreement.

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 the Trust Agreement.

Any surplus remaining in the Installment Payment Fund, after redemption and payment of all Certificates, including premiums, if any, and accrued interest (if any) and payment of any applicable fees, costs 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 for deposit in the Water Fund of the District.

Moneys in Funds; Investment

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates, and for the purposes specified in the Trust Agreement, and such moneys, and any income or interest earned thereon, shall be expended only as provided in the 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 or the District or any Owner of Certificates, or any of them until after the Certificates have been paid in full.

Investments Authorized. Moneys held by the Trustee under the Trust Agreement with respect to a District shall, upon written order of a District Representative received by the Trustee at least two (2) Business Days prior to investment, be invested and reinvested by the Trustee in Permitted Investments. If a District Representative shall fail to so direct investments, the Trustee shall invest the affected moneys in Permitted Investments described in paragraph (f) of the definition thereof. 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 the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. 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 the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of

funds made by it in accordance with the Trust Agreement. The Trustee shall be entitled to rely conclusively upon the written instructions of a District Representative directing investments as to the fact that each investment is permitted by the laws of the State and constitutes a Permitted Investment under the Trust Agreement, and the Trustee shall not be required to make further investigation with respect thereto. To the extent that any of the requirements concerning any Permitted Investment embodies a legal conclusion, the Trustee shall be entitled to conclusively rely upon a certificate from the appropriate party or an opinion of counsel to such party that such requirement has been met.

Allocation of Earnings. All interest or income received by the Trustee on investment of the Installment Payment Fund shall be retained in the Installment Payment Fund and be applied as a credit against Installment Payments. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed.

Amendments

The 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 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 the Trust Agreement, 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 or reducing any premium payable upon the redemption 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 the 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 the Trust Agreement.

The 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 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 in the Trust Agreement or in the Installment Sale Agreement and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates, (3) in regard to questions arising under the Trust Agreement or under the Installment Sale Agreement, as the parties thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate 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 its execution and delivery by the parties thereto as the case may be.

The 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 require an opinion of Independent Counsel that any amendment entered into under the Trust Agreement complies with the provisions of the Trust Agreement and the Trustee may rely conclusively on such opinion.

Certain Covenants

Compliance With and Enforcement of Installment Sale Agreement. The District and the Corporation covenant and agree with the Owners of the Certificates to perform all obligations and duties imposed on them under the Installment Sale Agreement and the Trust Agreement.

The District or the Corporation, immediately upon receiving or giving any notice or communication or other document in any way relating to or affecting their respective interests in the Project which may or can in any manner affect such interest, will deliver the same, or a copy thereof, to the Trustee.

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 the Installment Sale Agreement by the Corporation thereunder.

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.

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.

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.

Continuing Disclosure. The District 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 the 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.

Events of Default and Remedies

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, 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.

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 exercise any and all remedies available under the Trust Agreement 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 written 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 the 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.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or 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 under the Trust Agreement (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 the Trust Agreement;

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.

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 the Installment Sale Agreement, said security to be held by the Trustee, as agent for 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 the Installment Sale Agreement;

notwithstanding that any Certificates shall not have been surrendered for payment, all rights under the Trust Agreement of the Owners of the Certificates and all obligations of the Corporation, the Trustee and the District under the 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) above, 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) above, 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.

Certain Provisions relating to AGM and the Municipal Bond Insurance Policy

Defeasance. In the event that the principal and/or interest due with respect to the Certificates shall be paid by AGM pursuant to the Municipal Bond Insurance Policy, the Certificates shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the Owners shall continue to exist and shall run to the benefit of AGM and AGM shall be subrogated to the rights of such Owners, including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Certificates.

Trustee-Related Provisions. AGM shall receive prior written notice of any name change of the Trustee or the resignation, removal or termination of the Trustee. No resignation, removal or termination of the Trustee shall take effect until a successor, acceptable to AGM, shall be appointed. The Trustee may be removed at any time at the request of AGM for any breach of its obligations under the Trust Agreement.

Amendments and Supplements. With respect to amendments or supplements to the Trust Agreement or the Installment Sale Agreement which do not require the consent of the Owners, AGM must be given prior written notice of any such amendments or supplements.

With respect to amendments or supplements to the Trust Agreement or the Installment Sale Agreement which do require the consent of the Owners, AGM's prior written consent is required.

Copies of any amendments or supplements to the Trust Agreement or the Installment Sale Agreement which are consented to by AGM shall be sent to the rating agencies that have assigned a rating to the Certificates.

Notwithstanding any other provision of the Trust Agreement or the Installment Sale Agreement, in determining whether the rights of Owners will be adversely affected by any action taken pursuant to the terms and provisions thereof, the effect on the Owners shall be considered as if there was no Municipal Bond Insurance Policy.

AGM shall be deemed to be the sole holder of the Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant to the provisions of the Trust Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.

AGM as Third Party Beneficiary. To the extent that the Trust Agreement or the Installment Sale Agreement confer upon or give or grant to AGM any right, remedy or claim under or by reason of the Trust Agreement or the Installment Sale Agreement, AGM is explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Control Rights. AGM shall be deemed to be the Owner of all of the Certificates for purposes of (i) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (ii) granting any consent, direction or approval (including with respect to amendments under the Trust Agreement) or taking any action permitted by or required under the Trust Agreement or the Installment Sale Agreement, as the case may be, to be granted or taken by the Owners of such Certificates.

Anything in the Trust Agreement or the Installment Sale Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, AGM shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners.

The rights granted to AGM under the Installment Sale Agreement, the Assignment Agreement and/or the Trust Agreement to request, consent to or direct any action are rights granted to AGM in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by AGM of such rights is merely an exercise of AGM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of AGM, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of AGM.

Consent Rights of AGM. Any provision of the Trust Agreement or the Installment Sale Agreement expressly recognizing or granting rights in or to AGM may not be amended in any manner that affect the rights of AGM hereunder or thereunder without the prior written consent of AGM.

Wherever the Trust Agreement or the Installment Sale Agreement require the consent of Owners, AGM's consent shall also be required.

Any reorganization or liquidation plan with respect to the District must be acceptable to AGM. In the event of any reorganization or liquidation, AGM shall have the right to vote on behalf of all Owners who hold Certificates guaranteed by AGM, absent a default by AGM under the Municipal Bond Insurance Policy.

The rights granted to AGM under the Trust Agreement or the Installment Sale Agreement to request, consent to or direct any action are rights granted to AGM in consideration of its issuance of the Municipal Bond Insurance Policy, and shall not apply if AGM defaults under the Municipal Bond Insurance Policy. Any exercise by AGM of such rights is merely an exercise of AGM's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf, of the Owners and such action does not evidence any position of AGM, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of AGM.

Payment Procedure Under the Municipal Bond Insurance Policy. If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal and interest with respect to the Certificates due on such Payment Date, the Trustee shall give notice to AGM and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest with respect to the Certificates due on such Payment Date, the Trustee shall make a claim under the Municipal Bond Insurance Policy and give notice to AGM and AGM's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest with respect to the Certificates and the amount required to pay principal with respect to the Certificates, confirmed in writing to AGM and AGM's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Municipal Bond Insurance Policy.

The Trustee shall designate any portion of payment of principal with respect to Certificates paid by AGM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Certificates registered to the then current

Owners, whether DTC or its nominee or otherwise, and shall issue a replacement Certificate to AGM, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Certificate shall have no effect on the amount of principal or interest payable by the District with respect to any Certificate or the subrogation rights of AGM.

The Trustee shall keep a complete and accurate record of all funds deposited by AGM into the Municipal Bond Insurance Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal with respect to any Certificate. AGM shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners referred to herein as the "Municipal Bond Insurance Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Municipal Bond Insurance Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the Certificates under the sections of the Trust Agreement regarding payment of Certificates. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Trust Agreement to the contrary, the District agrees to pay to AGM (i) a sum equal to the total of all amounts paid by AGM under the Municipal Bond Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by AGM until payment thereof in full, payable to AGM at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest with respect to the Certificates; and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The District covenants and agrees that AGM Reimbursement Amounts are secured on a parity with amounts due under the Installment Sale Agreement.

Funds held in the Municipal Bond Insurance Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Municipal Bond Insurance Policy Payments Account following a Payment Date shall promptly be remitted to AGM.

AGM shall, to the extent it makes any payment of principal or interest with respect to the Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy. Each obligation of the District to AGM under the Installment Sale Agreement or the Trust Agreement shall survive discharge or termination of the Installment Sale Agreement or the Trust Agreement.

The District shall pay or reimburse AGM any and all charges, fees, costs and expenses that AGM may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Installment Sale Agreement, the Assignment Agreement or the Trust Agreement; (ii) the pursuit of any remedies under the Installment Sale Agreement, the Assignment Agreement or the Trust Agreement or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to, or related to, the Installment Sale Agreement, the Assignment Agreement or the Trust Agreement whether or not executed or completed; or (iv) any litigation or other dispute in connection with the Installment Sale Agreement, the Assignment Agreement or the Trust Agreement or the transactions contemplated thereby, other than costs resulting from the failure of AGM to honor its obligations under the Municipal Bond Insurance Policy. AGM reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Installment Sale Agreement, the Assignment Agreement or the Trust Agreement.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the District or rebate only after the payment of past due and current debt service on the Certificates and amounts required to restore the Reserve Fund to the Reserve Requirement.

AGM shall be entitled to pay principal or interest with respect to the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy), whether or not AGM has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE WOODBRIDGE IRRIGATION DISTRICT FOR THE YEAR ENDED DECEMBER 31, 2011

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**Woodbridge Irrigation District
Basic Financial Statements
December 31, 2011**

Woodbridge Irrigation District
Basic Financial Statements
December 31, 2011

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Terry E. Krieg, CPA

Certified Public Accountant

Independent Auditor's Report

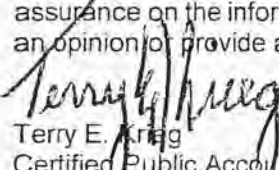
Board of Directors
Woodbridge Irrigation District
Woodbridge, California

I have audited the accompanying basic financial statements of the Woodbridge Irrigation District, California, as of and for the years ended December 31, 2011 and 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Woodbridge Irrigation District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Woodbridge Irrigation District, California, as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 2 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.


Terry E. Krieg
Certified Public Accountant
June 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Woodbridge Irrigation District's annual financial report presents our discussion and analysis of the District's financial performance during the years that ended on December 31, 2011 and 2010.

FINANCIAL HIGHLIGHTS

- Net assets of the District in 2011 increased by \$1.1 million after conducting all operations; this was the second year in a row where District assets have increased by at least one Million. Net assets of the District increased in 2010 by about one million dollars compared to net assets at the end of 2009.
- Overall, 2011 expenses declined in 2011 compared to the 2010 year. Total expenses in 2010 decreased to \$2,658,000 or about 5.9 percent less than 2009 expenses.
- Total District revenues in 2011 were about the same as in 2010 amounting to about \$3,657,000 for the year. Total District revenues in 2010 increased by about \$1,263,000 compared to 2009 as a result of the first year in which water was sold to the City of Stockton under our new agreement with the City.
- This year there was major capital asset activity with the District being the general contractor in regard to construction of a new District office facility, and the District in 2011 continued with major work on the Wilkerson lateral project. In 2010, the District added over \$800,000 to construction in progress with most of this pertaining to the Wilkerson lateral improvement project.
- The District in 2011 and in 2010 issued no new long-term debt.
- The District's unrestricted cash decreased by about \$1.6 million in the 2011 year as a result of cash being used to pay for capital improvements. The District ended 2010 with about \$ 5.7 million in unrestricted cash and investments compared to about \$5 million at the end of 2009; about a 14 percent increase in its cash position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* (this section) and the *basic financial statements*. The basic financial statements include one kind of statements that present both a short-term and long-term view of the District:

- *Proprietary* enterprise fund-type statements offer *short- and long-term* financial information about the activities that the District operates *like businesses*, such as the District's irrigation system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The District has no required supplementary information as the District does not participate in any defined benefit pension plan. Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIGURE A-1 Major Financial Statement Features

	Basic Financial Statements
Scope	Activities the District operates similar to private businesses
Required financial statements	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term focus
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received

Basic Financial Statements

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets regardless of when cash is received or paid.

The basic financial statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The basic financial statements of the District consist of one category:

- *Business-type activities* – The District charges fees to customers to help it cover the costs of certain services it provides. All of the District's operations are accounted for in this category. *The District uses proprietary enterprise fund type accounting principles to account for all operations.* Proprietary accounting provides both long and short-term financial information.

The 2003 year was the first year in which the District implemented the new financial reporting model required by the Governmental Accounting Standards Board. The major impact of this change in financial reporting was the requirement to present this Management Discussion and Analysis (MD&A) section as part of the District's basic financial statements. Another impact of the change was to reclassify retained earnings and contributed capital as net assets, and to present the District's statement of cash flows using the direct method of presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. At the end of the 2011 year, overall District net assets increased about 8.7 percent compared to the end of 2010. For 2010, the District's net assets increased about \$1,013,000 as a result of higher revenues. (See Tables A-1 and A-3.)

TABLE A-1 NET ASSETS (Rounded to the Nearest Thousand Dollars)

	Business-Type Activities		Total Percentage Change	
	2010	2011	2009-2010	2010-2011
Assets:				
Current and other assets	\$ 7,701,000	\$ 6,101,000	5.1%	-20.8%
Capital assets	19,551,000	22,171,000	1.3%	13.4%
Total assets	\$27,252,000	\$28,272,000	2.3%	3.7%
Liabilities:				
Long-term debt	\$ 14,025,000	\$ 13,850,000	-1.2%	-1.2%
Other liabilities	543,000	585,000	-29.8%	7.7%
Discount on sale of debt	(395,000)	(383,000)	2.9%	3.0%
Total liabilities	14,173,000	14,052,000	-2.7%	-0.9%
Net Assets:				
Invested in capital assets, net of related debt	6,114,000	8,892,000	7.0%	45.4%
Restricted	925,000	925,000	0.0%	0.0%
Unrestricted	6,040,000	4,403,000	11.3%	-27.1%
Total net assets	\$ 13,079,000	\$ 14,220,000	8.4%	8.7%

The District in 2011 again had a positive increase in net asset of slightly over \$1.1 million. Net assets of the District increased by about \$1,013,000 in 2010 mainly from the first year sale of water to the City of Stockton for \$1.3 million.

The District had \$13,850,000 and \$14,025,000 in long-term debt outstanding at the end of 2011 and 2010, respectively, as a result of the financing arranged to provide funds to replace the District's Dam and Fish Screen. The District's investment in capital assets, net of related debt, at the end of 2011 and 2010 represents 63% and 47%, respectively, of the District's total net assets. This higher investment in capital assets in 2011 results from the construction costs of the District's new offices and the Wilkerson lateral project.

The 1.3 percent increase in capital assets in 2010 relates to the construction work on the Wilkerson lateral project.

The 7.7 percent increase in other liabilities in 2011 is caused by higher accounts payable and accumulated and unpaid compensated absences. The 29.8 percent decrease in other liabilities in 2010 results from lower deferred revenues from water sale contracts.

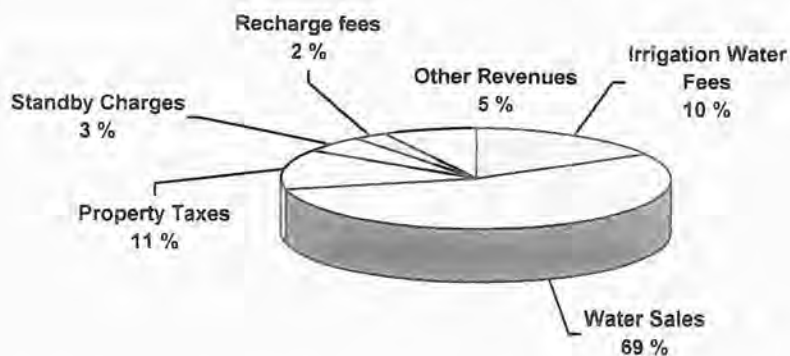
The \$383,000 at the end of 2011 and \$395,000 at the end of 2010 offset in the liabilities is the underwriters discount and original issue discount from the sale of the certificates of participation. This will be amortized over the life of the debt to interest expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Changes in net assets. Total revenues in 2011 were consistent with and about the same as in 2010 at about \$3.65 million. (See Table A-2.) About 10 percent of the District's revenue comes from irrigation water fees, 69 percent from water sales to the City of Lodi and City of Stockton, another 11 percent comes from property taxes, and another 5 percent comes from the water standby and water standby fees. The remaining 5 percent comes from investment earnings and other operating revenues.

Table A-2 Sources of District Revenues 2011



The main component of the revenue structure of the District is that in 2004 the District entered into a 40 year agreement with the City of Lodi to sell at least 6,000 acre feet of water a year to the City of Lodi in exchange for a base \$1,200,000 a year. This agreement became effective late in 2003 in conjunction with the sale of the certificates of participation. In 2010 and 2009, the District received the full \$1.2 million. In 2010, the District's agreement with the City of Stockton became effective and there was an additional \$1,300,000 in revenue from the sale of water to the City.

Revenues from irrigation water tolls, water standby fees, and water recharge fees decreased by about \$17,000 in 2011, and increased by about \$14,000 in 2010 compared to 2009. Property tax revenues decreased slightly in both 2011 and in 2010. Other revenues decreased in 2011 primarily as a result of lower revenue from work sales. Included in the other revenue category is about \$99,000 a year from the City of Lodi for storm drainage fees under a separate agreement.

Total 2010 expenses declined about \$167,000 in 2010 as a result of lower operating costs and the capitalization of labor costs on District construction projects.

Total 2011 expenses also decreased by about \$142,000 or about 5.3 percent less than in 2010. Most of the 2011 decreases were caused by lower personnel costs as more amounts were capitalized as part of the construction work being done by District personnel on the District offices and the Wilkerson lateral. There were actually large increases in the District's employee benefit programs; mainly in health insurance premiums and in workers compensation costs both of which are grouped in with personnel costs. There was about a 50 percent increase in health insurance premiums overall and almost a 30 percent increase in workers compensation premiums.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

TABLE A-3 District Revenues, Expenses and Changes in Net Assets (Rounded to the Nearest Thousand Dollars)

	Years Ended December 31		Total percentage Change	
	2010	2011	2009-2010	2010-2011
Revenues				
Irrigation water tolls	\$ 369,000	\$ 361,000	4.2%	-2.2%
Water sales - City of Lodi	1,224,000	1,248,000	2.0%	2.0%
Water sales-City of Stockton	1,300,000	1,326,000	100.0%	2.0%
Water standby charges	121,000	121,000	-1.0%	0.0%
Water recharge fees	59,000	49,000	0.0%	-16.9%
Property taxes	400,000	395,000	-20.8%	-1.3%
Other revenues	198,000	157,000	-46.7%	-20.7%
Total revenues	3,671,000	3,657,000	52.5%	-0.4%
Expenses				
Personal services and benefits	889,000	855,000	-10.8%	-3.8%
Vegetation and weed control	89,000	60,000	56.9%	-32.6%
Vehicle operations and maintenance	43,000	52,000	22.9%	20.9%
Utilities and general insurance	60,000	63,000	7.1%	5.0%
Other supplies and expenses	257,000	172,000	-25.5%	-33.1%
Interest	763,000	756,000	-0.3%	-1.0%
Depreciation and amortization	557,000	558,000	-2.5%	0.2%
Total expenses	2,658,000	2,516,000	-5.9%	-5.3%
Increase (decrease) in net assets	1,013,000	1,141,000	342.9%	12.6%
Net assets, January 1	12,066,000	13,079,000	-3.3%	8.4%
Net asset, December 31	\$13,079,000	\$14,220,000	8.4%	8.7%

In 2010, other supplies and expenses declined by about \$88,000 as a result of lower consulting and engineering costs being expensed in fiscal 2010 compared to 2009. Personnel and related benefit costs decreased in 2010 as a result of capitalizing construction project related labor and benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011 and 2010, the District had invested about \$22,271,000 and \$19,550,00, respectively (net of accumulated depreciation) in a broad range of capital assets, including land, equipment, vehicles, buildings, and the Woodbridge Dam and irrigation systems. (See Table A-4.) This amount represents a net increase of about \$2,621,000 in 2011 and a net increase of \$250,000 in 2010 (including additions and deductions).

TABLE A-4 District Investment In Capital Assets
(Rounded to the Nearest Thousand Dollars)

	Business-type Activities		Total Percentage Change	
	2010	2011	2009-2010	2010-2011
Land	\$ 16,000	\$ 477,000	0.0%	2,881.3%
Construction in progress	746,000	3,452,000	1,972.2.0%	362.7%
Buildings	80,000	80,000	0.0%	0.0%
Equipment and vehicles	911,000	917,000	0.0%	0.7%
Dam and Fish Screen	19,383,000	19,383,000	0.0%	0.0%
Irrigation system	1,736,000	1,736,000	5.5%	0.0%
Accumulated depreciation	(3,322,000)	(3,874,000)	19.8%	16.6%
Total	\$ 19,550,000	\$ 22,171,000	1.3%	13.4%

While the District completed construction of the Woodbridge Dam replacement project and the new fish screen project at a cost of about \$19.3 million between 2004 and 2008, the District continues to make additional improvements in its water delivery systems and facilities.

- In 2011, the District managed major construction work on the Wilkerson lateral project and capitalized as part of construction in progress an additional \$2 million in costs. The 2011 year was also a milestone year as the District served as the general contractor in regard to the construction of the District's new office building and related facilities. This is the first major construction of District offices since formation of the District. The District expects that the new building will be completed in 2012 and all management, financial and supervisory functions will be relocated to the new District office building.
- In 2011, the District also purchased for about \$461,000 a parcel of land to be used as a corporation yard site for District vehicles, construction equipment and other District property.
- In 2010, the District commenced construction of the Wilkerson lateral improvement project, in order to facilitate the delivery of water supplies to the City of Stockton, and capitalized over \$500,000 in related costs

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt

The District in 2003, through agreements with its Facilities Financing Corporation, entered into the most significant financing arrangement in the history of the District through the sale of \$11,745,000 in certificates of participation and again in 2007 sold an additional \$3,335,000 in certificates to finance construction of the Fish Screen Project.

These certificates and related interest will be repaid by the District over the next 40 years using net revenues from operations of the District. The ability of the District to be able to obtain such financing was directly related to the new water sale agreement with the City of Lodi providing the District with \$1.2 million a year in additional revenue. The water sale revenues should be more than sufficient to fund retirement of these debt obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2012 year, revenue projections reflect that the District will earn the \$1.2 million in water sale revenues from the City of Lodi and \$1,300,000 from the sale of water to the City of Stockton. In addition, the District's financing plan for 2012 includes:

- The District has not anticipated any significant rate increases in 2012 for charges related to the delivery of irrigation water
- No change is anticipated in the water recharge rates.
- No change is anticipated in the water standby rates.
- Operating expenses in 2012 are also expected to remain relatively stable in comparison to the 2011 year.
- The District expects to complete construction of the Wilkerson Lateral and the District's new office building.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Manager, Woodbridge Irrigation District, 18777 North Lower Sacramento Road, Woodbridge, California, 95258.

WOODBIDGE IRRIGATION DISTRICT
Statement of Net Assets

	December 31	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,050,679	\$ 5,682,975
Accounts receivable	56,057	31,900
Taxes receivable	430,708	452,087
Interest receivable	63	824
Inventory	27,320	5,016
Prepaid expenses	55,017	37,503
Total current assets	4,619,844	6,210,305
Noncurrent assets:		
Restricted cash and cash equivalents	1,293,663	1,297,173
Debt issuance costs	187,947	193,872
Total noncurrent assets	1,481,610	1,491,045
Capital assets:		
Property and equipment	26,045,565	22,873,078
Accumulated depreciation	(3,874,552)	(3,322,205)
Net capital assets	22,171,013	19,550,873
Total assets	\$ 28,272,467	\$ 27,252,223
Liabilities		
Current liabilities:		
Accounts payable	\$ 111,926	\$ 85,350
Accrued interest payable	368,320	371,830
Deferred revenue	791	800
Compensated absences payable	104,039	84,858
Certificates due within one year	180,000	175,000
Total current liabilities	765,076	717,838
Long-Term liabilities:		
Certificates of Participation	13,670,000	13,850,000
Discount on sale of certificates	(382,595)	(394,618)
Total long-term liabilities	13,287,405	13,455,382
Total Liabilities	14,052,481	14,173,220
Net Assets:		
Invested in capital assets, net of related debt	8,891,555	6,114,362
Restricted	925,343	925,343
Unrestricted	4,403,088	6,039,298
Total Net Assets	\$ 14,219,986	\$ 13,079,003

See notes to the basic financial statements

WOODBRIIDGE IRRIGATION DISTRICT
Statements of Revenues, Expenses,
and Changes in Net Assets

	Years Ended December 31	
	2011	2010
Operating revenues:		
Water tolls	\$ 360,523	\$ 368,923
Water standby charges	120,929	120,598
Groundwater recharge fees	49,345	59,003
Water sales City of Lodi	1,248,480	1,224,000
Water sales City of Stockton	1,326,000	1,300,000
Other operating revenues	136,483	155,850
Total operating revenues	<u>3,241,760</u>	<u>3,228,374</u>
Operating expenses:		
Personnel and related benefits	854,328	889,182
Utilities	22,997	24,957
Vegetation and weed control	59,965	88,521
Insurance	40,071	34,985
Vehicle operation and maintenance	52,260	42,725
Other supplies and expenses	171,953	257,063
Depreciation and amortization	558,273	556,644
Total operating expenses	<u>1,759,847</u>	<u>1,894,077</u>
Operating income (loss)	<u>1,481,913</u>	<u>1,334,297</u>
Other revenue (expense):		
Interest income	19,865	41,700
Interest expense	(756,223)	(763,068)
Property taxes	395,428	400,413
Total other revenue (expense)	<u>(340,930)</u>	<u>(320,955)</u>
Change in net assets	1,140,983	1,013,342
Net assets, January 1	<u>13,079,003</u>	<u>12,065,661</u>
Net assets, December 31	<u>\$ 14,219,986</u>	<u>\$ 13,079,003</u>

See notes to the basic financial statements

WOODBIDGE IRRIGATION DISTRICT
Statements of Cash Flows

	Years Ended December 31	
	2011	2010
Cash flows from operating activities:		
Cash received from customers	\$ 3,081,111	\$ 3,063,357
Other operating receipts	136,483	155,850
Payments to employees for services and benefits	(835,147)	(885,742)
Payments to suppliers for goods and services	(360,488)	(378,080)
Net cash provided by operating activities	<u>2,021,959</u>	<u>1,955,385</u>
Cash flows from noncapital financing activities:		
Property tax revenues	<u>416,807</u>	<u>405,455</u>
Net cash provided by noncapital financing activities	<u>416,807</u>	<u>405,455</u>
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	(3,172,488)	(801,517)
Principal payments on long-term debt	(175,000)	(170,000)
Interest paid on long-term debt	(747,710)	(754,003)
Net cash provided by (used for) capital and related financing activities	<u>(4,095,198)</u>	<u>(1,725,520)</u>
Cash flows from investing activities:		
Interest on investments	<u>20,626</u>	<u>43,966</u>
Net cash provided by (used for) investing activities	<u>20,626</u>	<u>43,966</u>
Net change in cash and cash equivalents	(1,635,806)	679,286
Cash and cash equivalents, January 1	<u>6,980,148</u>	<u>6,300,862</u>
Cash and cash equivalents, December 31	<u>\$ 5,344,342</u>	<u>\$ 6,980,148</u>
Noncash capital financing activities:		
None were reported in 2011 or 2010		
Net cash provided by(used for) operating activities:		
Operating income(loss)	\$ 1,481,913	\$ 1,334,297
Adjustments to reconcile operating income(loss) to net cash provided by(used for) operating activities:		
Depreciation and amortization	558,273	556,644
Changes in assets and liabilities:		
Receivables	(24,157)	296,985
Prepayments and inventories	(39,818)	(5,475)
Compensated absences	19,181	3,440
Deferred revenue	(9)	(306,152)
Net cash provided by operating activities	<u>\$ 2,021,959</u>	<u>\$ 1,955,385</u>

See notes to the basic financial statements

WOODBIDGE IRRIGATION DISTRICT
Notes to the Basic Financial Statements
December 31, 2011 and 2010

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Woodbridge Irrigation District was formed in 1924, pursuant to the approval of voters in an election, and it is governed by an elected five-member Board of Directors. The District's service area includes the unincorporated community of Woodbridge, California. The District owns and operates the Woodbridge Dam. The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The Woodbridge Irrigation District Public Facilities Financing Corporation was formed for the purpose of providing financing for the acquisition and construction of irrigation water systems and facilities for the production, storage and delivery of water. The District is financially accountable for the Corporation as the Corporation is governed by the District's Board of Directors. Because the District controls the Corporation, the Corporation's financial activities are blended in with and reported as part of the District's financial activities. The installment purchase contract receivable of the Corporation and the installment contract payable to the Corporation by the District have been eliminated from the accompanying financial statements.

B. Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes, water service charges, water sales and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The District is engaged in only business-type activities and the District's basic financial statements consist of only the financial statements required for enterprise funds. These include management's discussion and analysis, a statement of net assets, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, and these notes to the basic financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund-type financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Proprietary enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to the customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

WOODBIDGE IRRIGATION DISTRICT
Notes to the Basic Financial Statements
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets

1. *Deposits and Investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy has been to invest idle cash in demand deposits, time deposits and the Local Agency Investment Fund (LAIF) of the State of California. Investments are reported at fair value. The LAIF is operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the LAIF is the same as the fair value of the LAIF pool shares. State statutes authorize the District to invest in obligations of the U.S. Treasury, Federal Agency obligations, commercial paper, the LAIF and other instruments. The Trust Agreement underlying the issuance of the Certificates of Participation authorize permitted investments consistent with the State of California Government Code but broader in scope than the District's usual investment practices.

2. *Receivables and Property Taxes*

All trade and property tax receivables are not shown net of an allowance for uncollectibles.

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of San Joaquin collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District and accrues as receivable such taxes.

3. *Inventories and Prepaid Items*

All inventories are valued at cost based upon physical determinations made at the end of each year.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

4. *Restricted Cash Equivalents and Investments*

Cash equivalents and investments restricted for use in only capital projects and for debt service reserve funds are reported as noncurrent assets. The District follows the practice of reporting in this category the funds received from the issuance of the Certificates of Participation for the purpose of financing the design, construction and replacement of the Woodbridge Dam, Fish Screens and related facilities.

WOODBIDGE IRRIGATION DISTRICT
Notes to the Basic Financial Statements
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing Dam and irrigation system) are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$100 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets constructed by developers are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Canals and distributory laterals	25-75
Dams	100
Buildings and storage facilities	8-25
Vehicles and trucks	5-10

6. Compensated Absences, Sick Leave, Claims and Other Post-Employment Benefits

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid vacation is recorded in the financial statements when the liability is incurred and is reported as the current portion of such compensated absences. The District does not provide for payment of unused sick leave at termination dates. The District provides no other post-employment medical benefit plans.

The District obtains insurance coverage for property and equipment, fidelity bonds, automobile liability and general liability through its membership in the Association of California Water Agencies Joint Powers Insurance Authority. The risk of loss is transferred from the District to the Authority in exchange for the District's payment of annual premiums. Incurred and unbilled claims, if any, are accrued as a liability when it is probable that an asset has been impaired, the amount of the obligation can be reasonably estimated, and the claim is not covered by insurance. Workers compensation insurance is maintained through a commercial policy.

7. Long-term Obligations

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Discounts associated with the issuance of long-term debt obligations are reported as a reduction of the carrying value of the related debt obligation, and are amortized to interest expense over the life of the debt instrument. Costs associated with the issuance of the debt are capitalized as an other noncurrent asset and are amortized to expense over the life of the debt obligation.

WOODBIDGE IRRIGATION DISTRICT
Notes to the Basic Financial Statements
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets

8. Net Assets

In the financial statements, fund net assets are reported in three categories as follows:

- Invested in capital assets, net of related debt - This category of net assets reports the net book value of capital assets used in District operations including construction in progress all net of related accumulated depreciation, and reduced by the carrying value of related long-term debt issued to finance the acquisition of such assets.
- Restricted - This category of net assets represents essentially the certificate of participation debt service reserve funds which can be used only for debt service purposes should the District be unable to make scheduled debt service payments.
- Unrestricted - Unrestricted net assets represented all other assets net of related liabilities available for use by the District.

2. Detailed Notes

A. Cash Equivalents and Investments

Cash equivalents and Investments consisted of the following at December 31:

	2011	2010
Cash and cash equivalents:		
Demand deposits	\$ 344,933	\$ 5,618,129
Local Agency Investment Fund	65,141	64,846
Money market checking	3,640,605	-
Money market funds with Bank Trustee	1,293,663	1,297,173
Total cash equivalents and investments	<u>\$ 5,344,342</u>	<u>\$ 6,980,148</u>

Investments at December 31, 2011 consisted of:

Type of Investment	Maturity	Fair Value
Local Agency Investment Fund	Average 230 Days	\$ 65,141
Money Market Mutual Funds	Average 45 days	4,934,268
Total investments		<u>\$ 4,999,409</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is that they will be made in institutions in California, they will be insured or collateralized in accordance with section 53562 of the California Government Code. At December 31, 2011, \$242,327 of the District's bank balances of \$492,327 was exposed to credit risk as follows:

Uninsured and collateral held by the pledging bank's agent but not in the District's name:	<u>\$ 242,327</u>
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WOODBIDGE IRRIGATION DISTRICT
Notes to the Basic Financial Statements
December 31, 2011 and 2010

2. Detailed Notes (Continued)

A. Cash Equivalents and Investments (Continued)

Custodial Credit Risk - Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment in the Local Agency Investment Fund (an external investment pool) and in mutual funds are not subjected to custodial credit risk because the District's investments are not evidenced by specific securities

Credit Risk - State law limits investments in various securities to certain levels of risk ratings issued by nationally recognized statistical rating organizations. It is the District's policy to comply with State Law as regards securities ratings. The District's investment in the Local Agency Investment Fund is unrated. The money market mutual fund is rated AAA.

B. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 15,967	\$ 460,644	\$ -	\$ 476,611
Construction in progress	746,385	2,711,843	(6,035)	3,452,193
Total capital assets, not being depreciated	762,352	3,172,487	(6,035)	3,928,804
Capital assets, being depreciated:				
Dam reconstruction and fish screen	19,382,882	-	-	19,382,882
Pumping plant	30,473	-	-	30,473
Buildings	80,173	-	-	80,173
Pipelines, canals and initial plant	1,706,478	-	-	1,706,478
Vehicles and equipment	910,720	6,035	-	916,755
Total capital assets, being depreciated	22,110,726	6,035	-	22,116,761
Less accumulated depreciation for:				
Dam reconstruction	(1,926,430)	(482,959)	-	(2,409,389)
Pumping plant	(30,473)	-	-	(30,473)
Buildings	(66,288)	(4,850)	-	(71,138)
Pipelines , canals and initial plant	(639,671)	(22,361)	-	(662,032)
Vehicles and equipment	(659,343)	(42,177)	-	(701,520)
Total accumulated depreciation	(3,322,205)	(552,347)	-	(3,874,552)
Total capital assets, being depreciated, net	18,788,521	(546,312)	-	18,242,209
Business-type activities capital assets, net	<u>\$ 19,550,873</u>	<u>\$ 2,626,175</u>	<u>\$ (6,035)</u>	<u>\$ 22,171,013</u>

WOODBIDGE IRRIGATION DISTRICT
Notes to the Basic Financial Statements
December 31, 2011 and 2010

2. Detailed Notes (Continued)

B. Capital Assets (Continued)

Construction in progress as of June 30, 2011 consists primarily of \$1,999,435 related to the Wilkerson lateral improvement project and \$1,452,758 related to the construction of a new District office facility and other projects.

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 15,967	\$ -	\$ -	\$ 15,967
Construction in progress	36,173	817,417	(107,205)	746,385
Total capital assets, not being depreciated	52,140	817,417	(107,205)	762,352
Capital assets, being depreciated:				
Dam reconstruction and fish screen	19,382,882		-	19,382,882
Pumping plant	30,473	-	-	30,473
Buildings	80,173	-	-	80,173
Pipelines, canals and initial plant	1,615,173	107,205	(15,900)	1,706,478
Vehicles and equipment	910,720	-	-	910,720
Total capital assets, being depreciated	22,019,421	107,205	(15,900)	22,110,726
Less accumulated depreciation for:				
Dam reconstruction	(1,443,471)	(482,959)		(1,926,430)
Pumping plant	(30,473)	-	-	(30,473)
Buildings	(61,704)	(4,584)	-	(66,288)
Pipelines, canals and initial plant	(620,593)	(19,078)		(639,671)
Vehicles and equipment	(615,245)	(44,098)	-	(659,343)
Total accumulated depreciation	(2,771,486)	(550,719)	-	(3,322,205)
Total capital assets, being depreciated, net	19,247,935	(443,514)	(15,900)	18,788,521
Business-type activities capital assets, net	<u>\$ 19,300,075</u>	<u>\$ 373,903</u>	<u>\$ (123,105)</u>	<u>\$ 19,550,873</u>

WOODBIDGE IRRIGATION DISTRICT
Notes to the Basic Financial Statements
December 31, 2011 and 2010

2. Detailed Notes Continued)

C. Long-Term Debt

Long-term debt activity for the two years ended December 31 was as follows:

Year Ended:	Beginning	Additions	Deletions	Ending
December 31, 2011				
Certificates of participation:				
2007 Issue Fish Screen	\$ 3,095,000	\$ -	\$ 40,000	\$ 3,055,000
2003 Issue Dam Project	10,930,000	-	135,000	10,795,000
Totals	<u>\$14,025,000</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 13,850,000</u>
December 31, 2010				
Certificates of participation:				
2007 Issue Fish Screen	\$ 3,135,000	\$ -	\$ 40,000	\$ 3,095,000
2003 Issue Dam Project	11,060,000	-	130,000	10,930,000
Totals	<u>\$14,195,000</u>	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ 14,025,000</u>

The amounts due within one year at December 31, 2011 were \$140,000 for the 2003 certificates and \$40,000 for the 2007 certificates. The amounts due within one year at December 31, 2010 were \$135,000 for the 2003 certificates and \$40,000 for the 2007 certificates.

Certificates of Participation – 2003 Issue

The District in October of 2003 entered into an installment purchase contract with the Woodbridge Irrigation District Public Facilities Financing Corporation for the purpose of obtaining financing to replace the Woodbridge Dam. Under the arrangement, the Corporation sold \$11,745,000 in certificates of participation, entered into an installment purchase contract with the District wherein the Corporation agreed to sell the project to the District and the District agreed to buy the new dam from the Corporation in exchange for installment payments. The District and Corporation authorized the issuance of up to \$17 million in certificates.

The Certificates bear interest at rates of from 2.00 percent to 5.625 percent, are payable in semi-annual installments commencing July 1, 2004 and continuing through July 1, 2043. Principal installments are due each July 1. Certificates with a payment date of July 1, 2028 are subject to mandatory prepayments commencing July 1, 2024. Certificates with a payment date of July 1, 2033 are also subject to mandatory early prepayments commencing July 1, 2029. Certificates with a payment date of July 1, 2043 are also subject to mandatory early redemption commencing July 1, 2034. Certificates with payment dates on or after July 1, 2014 are also subject to optional early redemption by the District on or after July 1, 2013 without a prepayment premium. The District's obligation to make the installment payments is secured by a first pledge and lien on the net water system revenues.

Certificates of Participation – 2007 Issue

The District in January of 2007 entered into an installment purchase contract with the Woodbridge Irrigation District Public Facilities Financing Corporation for the purpose of obtaining financing to construct and install a Fish Screen at the Woodbridge Dam. The Screen is part of the District's restoration project and will operate in conjunction with completed 2003 Dam and Fish Ladder Project. Under the arrangement, the Corporation sold \$3,335,000 in certificates of participation, entered into an installment purchase contract with the District wherein the Corporation agreed to sell the project to the District and the District agreed to buy the Fish Screen from the Corporation in exchange for installment payments.

WOODBIDGE IRRIGATION DISTRICT
Notes to the Basic Financial Statements
December 31, 2011 and 2010

2. Detailed Notes Continued)

D. Long-Term Debt

Certificates of Participation – 2007 Issue (Continued)

The Certificates bear interest at rates of from 3.70 percent to 5.10 percent, are payable in semi-annual installments commencing July 1, 2007 and continuing through July 1, 2043. Principal installments are due each July 1. Certificates with a payment date of July 1, 2037 are subject to mandatory prepayments commencing July 1, 2025. Certificates with a payment date of July 1, 2043 are also subject to mandatory early prepayments commencing July 1, 2038. Certificates with payment dates on or after July 1, 2014 are also subject to optional early redemption by the District on or after July 1, 2013 without a prepayment premium. The District's obligation to make the installment payments is secured by a first pledge and lien on the net water system revenues. Future debt service on the 2007 certificates is:

Years	Principal	Interest	Totals
2012	\$ 40,000	\$ 151,196	\$ 191,196
2013	45,000	149,532	194,532
2014	45,000	147,624	192,624
2015	50,000	145,666	195,666
2016	50,000	143,442	193,442
2017-2021	290,000	680,027	970,027
2022-2026	365,000	603,550	968,550
2027-2031	465,000	502,650	967,650
2032-2036	590,000	375,400	965,400
2037-2041	755,000	211,004	966,004
2042-2043	360,000	27,796	387,796
Totals	\$ 3,055,000	\$ 3,137,887	\$6,192,887

Future debt service on the 2003 certificates is:

Years	Principal	Interest	Totals
2012	\$ 140,000	\$ 585,442	\$ 725,442
2013	145,000	579,842	724,842
2014	155,000	573,680	728,680
2015	160,000	566,898	726,898
2016	165,000	559,698	724,698
2017-2021	960,000	2,671,028	3,631,028
2022-2026	1,235,000	2,398,254	3,633,254
2027-2031	1,615,000	2,020,630	3,635,630
2032-2036	2,110,000	1,523,752	3,633,752
2037-2041	2,770,000	861,186	3,631,186
2042-2043	1,340,000	114,188	1,454,188
Totals	\$ 10,795,000	\$ 12,454,598	\$23,249,598

Annual principal and interest payments on the certificates are expected to require less than 100 percent of system net revenues as defined. The total principal and interest remaining to be paid on the certificates is \$29,442,485. Principal and interest paid for the current year and total system net revenues as defined were \$922,710 and \$2,455,479; respectively.

WOODBIDGE IRRIGATION DISTRICT
Notes to the Basic Financial Statements
December 31, 2011 and 2010

3. Other Information

A. Risk Management

The District obtains general liability, property and automobile insurance through its membership in the Association of California Water Agencies Joint Powers Insurance Authority. The Authority is responsible for the first \$1 million per claim under its liability coverage program, and members are covered up to \$60 million for liability claims under the Authority's purchased excess insurance policies. Members are covered for \$100 million in regard to property and equipment through the Authority's purchased excess coverage. Workers compensation coverage is provided to the District equal to statutory limits by a commercial policy. The Authority also provides automobile liability coverage and errors and omissions coverage up to \$61 million, and employee fidelity coverage up to \$100,000 and a \$10,000 public official bond.

The District paid no material uninsured losses during the last three fiscal years.

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. There were no material uninsured claim liabilities at December 31, 2011 or 2010.

B. Contingencies and Commitments

Litigation. In the opinion of the District's general counsel, there is no pending or threatened litigation which would have a material adverse impact on the accompanying financial statements

Water Sale Contracts. The District in 2003 entered into agreement with the City of Lodi wherein the District agreed to provide the City with 6,000 acre feet of water a year. The agreement is a take or pay agreement and the City is obligated to pay the District at least \$1,200,000 annually for water under the agreement provisions. The initial term of the agreement is for 40 years. The \$1.2 million is payable to the District in quarterly installments. In January of 2008, the District and the City of Lodi amended the 2003 water sale contract to, among other matters, extend that agreement for about four years to October 15, 2047. In addition, the District and the City of Stockton entered into an agreement providing for the sale of 6,500 acre feet of water to the City of Stockton per year for the next 40 years commencing January 2, 2009 for an annual fee of \$1,300,000 for years 2010 and thereafter.

C. Retirement System

Plan Description. The District does not participate in the State of California Public Employees Retirement System (PERS). The District instead participates in a Simplified Employee Pension Plan (SEP-IRA). The District contributes annually seven percent of qualifying employees compensation. Contributions to the plan for 2011 and 2010 were \$55,231 and \$57,489, respectively.

APPENDIX C
FORM OF FINAL OPINION OF SPECIAL COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Directors of the
Woodbridge Irrigation District
8777 North Lower Sacramento Road
North Woodbridge, California 95220

OPINION: \$13,520,000* Certificates of Participation (2013 Refinancing Project), Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Installment Payments to be Made by the Woodbridge Irrigation District (San Joaquin County, California), As the Purchase Price for Certain Property Pursuant to an Installment Sale Agreement with the Woodbridge Irrigation District Public Facilities Financing Corporation

Members of the Board of Directors of the District:

We have acted as special counsel in connection with the delivery by the Woodbridge Irrigation District (the "District"), of its \$13,520,000* Installment Sale Agreement, dated as of April 1, 2013, by and between the Woodbridge Irrigation District Public Facilities Financing Corporation (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 April 1, 2013 (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 April 1, 2013, 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 an irrigation 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.

* 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 Water System 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 (the "Code"), 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 – DISTRICT

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the WOODBRIDGE IRRIGATION DISTRICT (the “District”) in connection with the execution and delivery of \$13,520,000* Woodbridge Irrigation District (San Joaquin County, California) Certificates of Participation (2013 Refinancing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2013, by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the District and the Woodbridge Irrigation District Public Facilities Financing Corporation (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 The Bank of New York Mellon Trust Company, N.A., 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).

* 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 June 30), commencing with the report for the 2012-13 Fiscal Year, which is due not later than March 31, 2014, 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]

WOODBIDGE IRRIGATION DISTRICT

By _____
Manager

ACKNOWLEDGED:

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

By _____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Woodbridge Irrigation District

Name of Issue: Certificates of Participation (2013 Refinancing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Installment Payments to be Made by the Woodbridge Irrigation District (San Joaquin County, California), As the Purchase Price for Certain Property Pursuant to an Installment Sale Agreement with the Woodbridge Irrigation District Public Facilities Financing Corporation

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: _____

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect

only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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.

APPENDIX F
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

