RATINGS: Moody's: Aa1/VMIG 1

S&P: AA/A-1+

(See "RATINGS" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

# \$72,504,000 SOUTH PLACER WASTEWATER AUTHORITY VARIABLE RATE DEMAND REFUNDING WASTEWATER REVENUE BONDS, SERIES 2008A

# \$92,850,000 SOUTH PLACER WASTEWATER AUTHORITY VARIABLE RATE DEMAND REFUNDING WASTEWATER REVENUE BONDS, SERIES 2008B

Dated: Date of Delivery

Series 2008A Due: November 1, 2035
Series 2008B Due: November 1, 2027

The South Placer Wastewater Authority Variable Rate Demand Refunding Wastewater Revenue Bonds, Series 2008A (the "Series 2008A Bonds") and the South Placer Wastewater Authority Variable Rate Demand Refunding Wastewater Revenue Bonds, Series 2008B (the "Series 2008B Bonds and, together with the Series 2008A Bonds, the "Series 2008 Bonds") shall initially bear interest at Weekly Rates (payable on the first Business Day of each calendar month, commencing on May 1, 2008) as determined by the Remarketing Agent. Interest on the Series 2008 Bonds will accrue from the date of original delivery (the "Date of Delivery"). Note that the interest rate on the Series 2008A Bonds and the interest rate on the Series 2008B Bonds will be determined separately.

The interest rate with respect to the Series 2008A Bonds and the Series 2008B Bonds may be converted from time to time in accordance with the Indenture to a Daily Rate, a Weekly Rate, Commercial Paper Rates, Long-Term Rate or an Auction Rate (each an "Interest Rate Mode").

THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE ANY SERIES OF SERIES 2008 BONDS AFTER A CONVERSION TO SERIES 2008 BONDS BEARING INTEREST AT A RATE OTHER THAN A DAILY RATE OR A WEEKLY RATE.

The Series 2008A Bonds are being issued by the South Placer Wastewater Authority (the "Authority"), a joint exercise of powers agency created by the City of Roseville, the South Placer Municipal Utility District and the County of Placer (collectively, the "Participants"), pursuant to an Indenture of Trust, dated as of April 1, 2008 (the "Indenture"), between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), for the purpose of providing funds, together with other available moneys, (i) to refund on a current basis the remaining outstanding South Placer Wastewater Authority Wastewater Revenue Bonds, Series B (the "Series 2000B Bonds"), (ii) to fund a Reserve Account for the Series 2008A Bonds, and (iii) to pay costs of issuance of the Series 2008A Bonds, as more fully described herein. The Series 2008B Bonds are being issued by the Authority pursuant to the Indenture for the purpose of providing funds, together with other available moneys, (i) to refund on a current basis the remaining outstanding South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series 2003 (Auction Rate) (the "Series 2003 Bonds"), (ii) to refund on an advance basis a portion of the remaining outstanding South Placer Wastewater Authority Wastewater Revenue Bonds, Series A (the "Series 2000A Bonds" and, together with the Series 2000B Bonds, the "Series 2000 Bonds") and (iii) to pay costs of issuance of the Series 2008B Bonds, as more fully described herein.

The Series 2008 Bonds are payable from the Authority Revenues, consisting principally of payments from the Participants under the Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000, among the Authority and the Participants. The Series 2008 Bonds are secured on a parity with regularly scheduled payments to be made by the Authority under the Swap Agreement (as described herein). The Authority may issue or incur additional Parity Bonds secured by Authority Revenues, subject to the terms and conditions of the Indenture, as more fully described herein.

While the Series 2008 Bonds bear interest at Weekly Rates or Daily Rates, payments of the principal of and interest on the Series 2008 Bonds, including any payments to be made with respect to mandatory redemption of the Series 2008 Bonds and payments of the purchase price of Bonds tendered or deemed tendered for purchase and not remarketed, are to be secured by and payable totally from amounts drawn by the Trustee and Tender Agent under an irrevocable, direct-pay letter of credit (the "Letter of Credit") to be issued by

# State Street Bank and Trust Company and California State Teachers' Retirement System

(collectively, the "Credit Providers" and each individually a "Credit Provider"). The obligation of each of the Credit Providers under the Letter of Credit is a several and not joint obligation. Under the terms of the Letter of Credit and the Reimbursement Agreement, there is no obligation on any of the Credit Providers to assume any Letter of Credit obligations of any other Credit Provider if any Credit Provider is unwilling or unable to honor its obligations under the Letter of Credit. Under the terms of the Letter of Credit, in respect of each drawing made under and in compliance with the terms of the Letter of Credit, each Credit Provider shall be liable for honoring such drawing only to the extent of the following respective percentages: State Street Bank and Trust Company: 75% and California State Teachers' Retirement System: 25%. See "LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" HEREIN AND APPENDICES D AND E ATTACHED HERETO.

The Letter of Credit is stated to expire on April 10, 2011, unless earlier terminated or extended, and may be replaced by an Alternate Credit Facility, as described herein. PROSPECTIVE INVESTORS SHOULD NOT EXPECT THE AUTHORITY OR THE PARTICIPANTS TO BE ABLE TO PAY DIRECTLY THE PRINCIPAL OF OR THE REDEMPTION OR PURCHASE PRICE OF THE SERIES 2008 BONDS OR THE INTEREST ON THE SERIES 2008 BONDS AS SUCH PAYMENTS BECOME DUE. ACCORDINGLY, ANY INVESTMENT DECISION TO PURCHASE THE SERIES 2008 BONDS SHOULD BE MADE SOLELY ON THE BASIS OF THE CREDITWORTHINESS OF THE CREDIT PROVIDERS.

The Series 2008 Bonds are being issued in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2008 Bonds. Individual purchases will be made in book-entry form only in denominations of \$100,000 and any larger domination constituting an integral multiple of \$1,000. Purchasers will not receive certificates representing their beneficial ownership interest in the Series 2008 Bonds purchased. See APPENDIX F—"BOOK-ENTRY SYSTEM" herein.

The Series 2008 Bonds will be subject to optional, special and mandatory redemption prior to maturity as described herein. The Series 2008 Bonds are also subject to optional and mandatory tender as described herein.

THE SERIES 2008 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE AUTHORITY REVENUES. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY OR THE PARTICIPANTS IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2008 BONDS, AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE AUTHORITY REVENUES IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2008 BONDS. THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2008 BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR ANY PARTICIPANT FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2008 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Miller, Owen & Trost, A Professional Corporation, Sacramento, California, for the Participants by their respective counsels, for the Underwriter by Orrick, Herrington & Sutcliffe Ilp and for the Credit Providers by Fulbright & Jaworski LLP. It is expected that the Series 2008 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about April 10, 2008.

# **MATURITY SCHEDULE**

\$72,504,000 SOUTH PLACER WASTEWATER AUTHORITY VARIABLE RATE DEMAND REFUNDING WASTEWATER REVENUE BONDS, SERIES 2008A CUSIP 839423 BC3

\$92,850,000 SOUTH PLACER WASTEWATER AUTHORITY VARIABLE RATE DEMAND REFUNDING WASTEWATER REVENUE BONDS, SERIES 2008B CUSIP 839423 BD1

# All bonds priced at 100%

No dealer, broker, salesperson or other person has been authorized by the Authority, the Participants or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2008 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2008 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been provided by the Authority and the Participants and other sources that are believed by the Authority and the Participants to be reliable. 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 responsibility to investors under the federal securities law 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 and expression of opinion 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 affairs of the Authority or the Participants since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

# FORWARD-LOOKING STATEMENTS

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," "project," "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 forecasts of the Authority or the Participants in any way, regardless of the level of optimism communicated in the information. Neither the Authority nor the Participants 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.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY AND THE PARTICIPANTS DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

# SOUTH PLACER WASTEWATER AUTHORITY

# **GOVERNING BOARD OF THE AUTHORITY**

Richard Roccucci, *Chair*Robert Weygandt, *Vice-Chair*Jerry Mitchell
Rocky Rockholm
John Allard

# **MANAGEMENT**

Derrick Whitehead, *Executive Director* Russ Cochran Branson, *Treasurer* 

# **SPECIAL SERVICES**

#### **BOND COUNSEL**

Jones Hall, A Professional Law Corporation San Francisco, California

# FINANCIAL ADVISOR

Public Financial Management Seattle, Washington

# **AUTHORITY COUNSEL**

Miller, Owen & Trost, A Professional Corporation Sacramento, California

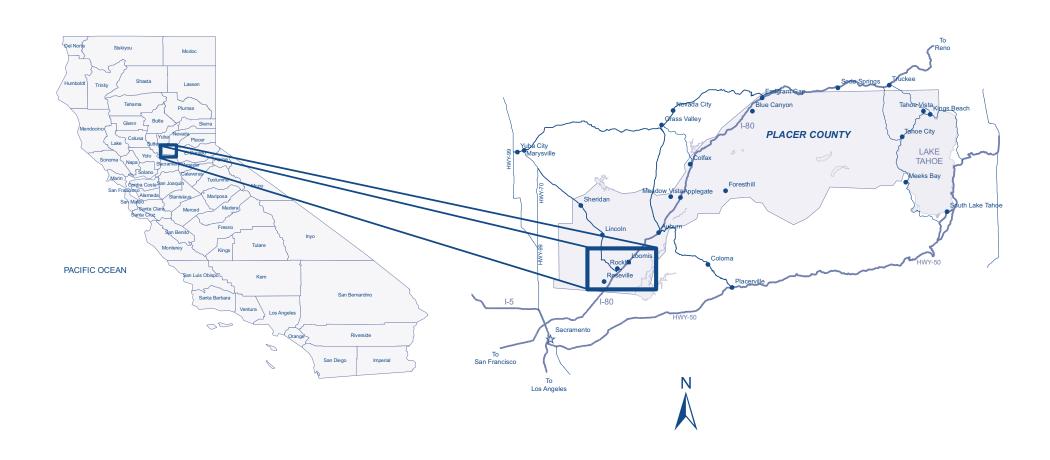
# TRUSTEE

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

# REMARKETING AGENT

Morgan Stanley & Co. Incorporated New York, New York

# South Placer Wasewater Authority Location Map



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# OFFICIAL STATEMENT

\$72,504,000
SOUTH PLACER WASTEWATER AUTHORITY
VARIABLE RATE DEMAND REFUNDING
WASTEWATER REVENUE BONDS, SERIES
2008A

\$92,850,000
SOUTH PLACER WASTEWATER AUTHORITY
VARIABLE RATE DEMAND REFUNDING
WASTEWATER REVENUE BONDS, SERIES
2008B

#### INTRODUCTION

#### General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the South Placer Wastewater Authority (the "Authority"), a joint exercise of powers agency created by the City of Roseville, the South Placer Municipal Utility District and the County of Placer (collectively, the "Participants"), of its Variable Rate Demand Refunding Wastewater Revenue Bonds, Series 2008A in the aggregate principal amount of \$72,504,000 (the "Series 2008A Bonds") and its Variable Rate Demand Refunding Wastewater Revenue Bonds, Series 2008B in the aggregate principal amount of \$92,850,000 (the "Series 2008B Bonds" and, together with the Series 2008A Bonds, the "Series 2008 Bonds"). All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE"

The Series 2008 Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2008 (the "Indenture") between the Authority and The Bank of New York Trust Company, N.A., as Trustee (the "Trustee"). The Series 2008 Bonds will initially bear interest at Weekly Rates. The interest rate with respect to each series of the Series 2008 Bonds may be converted from time to time in accordance with the Indenture to a Daily Rate, a Weekly Rate, Commercial Paper Rates, a Long-Term Rate or an Auction Rate (each an "Interest Rate Mode"). See "THE SERIES 2008 BONDS."

THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE SERIES 2008 BONDS AFTER A CONVERSION TO SERIES 2008 BONDS BEARING INTEREST AT A RATE OTHER THAN A DAILY RATE OR A WEEKLY RATE.

The Series 2008A Bonds are being issued for the purpose of providing funds, together with other available moneys, (i) to refund on a current basis the remaining outstanding South Placer Wastewater Authority Wastewater Revenue Bonds, Series B (the "Series 2000B Bonds"), (ii) to fund a Reserve Account for the Series 2008A Bonds and (iii) to pay costs of issuance of the Series 2008A Bonds, as more fully described herein. The Series 2008B Bonds are being issued for the purpose of providing funds, together with other available moneys, (i) to refund on a current basis the remaining outstanding South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series 2003 (Auction Rate) (the "Series 2003 Bonds"), (ii) to refund on an advance basis a portion of the remaining outstanding South Placer Wastewater Authority Wastewater Revenue Bonds, Series A (the "Series 2000A Bonds" and, together with the Series 2000B Bonds, the "Series 2000 Bonds") and (iii) to pay costs of issuance of the Series 2008B Bonds, as more fully described herein. See "PLAN OF FINANCING." The Series 2008 Bonds will be issued in full conformity with the Constitution and the laws of the State of California (the "State"), including the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the "Act") and are issued in connection with the Funding Agreement (as herein defined).

The Series 2000 Bonds were issued to finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant (the "Pleasant Grove Plant") and other regional wastewater facilities, including certain trunk sewers, recycled water lines and certain other related projects. The Pleasant Grove Plant, completed in

April 2005, was constructed to increase the regional wastewater treatment capacity available for continued growth and development within the service areas of the Participants in the southern part of the County of Placer. Costs of the Pleasant Grove Plant, including debt service on the Series 2008 Bonds, and any other Regional Wastewater Facilities constructed by the Authority, are required to be paid by the Participants pursuant to the Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000 (the "Funding Agreement"), among the Authority and the Participants. Regional Connection Fees imposed and collected by the Participants as a condition to the connection of new development to the Participants' wastewater collection systems (and an allocation of capacity at the Regional Wastewater Facilities) are intended and expected to be sufficient to pay debt service on the Series 2008 Bonds. A Rate Stabilization Fund has been established under the Funding Agreement to provide, among other things, a source of funds for the payment of debt service on the Series 2008 Bonds in the event of variations in the timing of development and collection of Regional Connection Fees. In the event the amount available to be drawn from a Participant's account in the Rate Stabilization Fund is not sufficient to pay such Participant's Proportionate Share of Debt Service (including because development is significantly slower than expected), such Participant may be obligated to pay all or a part of such amount from such Participant's Participant Net Revenues (derived principally from User Charges collected by such Participant from its wastewater customers).

# The Authority

The Authority was created pursuant to a Joint Exercise of Powers Agreement for the South Placer Wastewater Authority, effective October 1, 2000, among the Participants. The Authority was created for the purpose of providing for the planning, financing, acquisition, ownership, construction and operation of the Pleasant Grove Plant, the Dry Creek Wastewater Treatment Plant (the "Dry Creek Plant"), any other regional treatment plants constructed by the Authority or any of the Participants in the future to facilitate wastewater collection, conveyance, treatment, recycling, discharge and disposal services collectively to all of the Participants, and all Related Regional Infrastructure (as defined in the Funding Agreement) (collectively, the "Regional Wastewater Facilities"). See "SOUTH PLACER WASTEWATER AUTHORITY."

# **The Participants**

In 2000, the City of Roseville (the "City" or "Roseville"), the South Placer Municipal Utility District (the "District" or "SPMUD") and the County of Placer ("Placer County") determined that their collective present and future needs for wastewater treatment required the construction of the Pleasant Grove Plant and other regional facilities. Accordingly, the Participants created the Authority and entered into the Funding Agreement in connection with the issuance of the Series 2000 Bonds, payments under which will secure the payment of the Series 2008 Bonds. See "SECURITY FOR THE SERIES 2008 BONDS."

City of Roseville. Roseville is a charter city located in California's Sacramento Valley. Roseville started developing its own wastewater collection and treatment utility shortly after its incorporation as a city on April 10, 1909. Roseville owns and operates the Dry Creek Plant and the Pleasant Grove Plant. Prior to creation of the Authority, Roseville provided wastewater treatment for SPMUD and Placer County at the Dry Creek Plant pursuant to various contracts. The Dry Creek Plant has a rated capacity of 18 million gallons per day ("mgd") average dry weather flow. Plant modifications are currently underway to address changing influent loading conditions and anticipated more stringent discharge requirements. Roseville's wastewater utility currently provides sewer service to 58,612 equivalent dwelling units within Roseville's city limits. The wastewater service area of Roseville consists of approximately 35.98 square miles (or 23,030 acres), including approximately 1,924 acres of developed commercial land, 906 acres of developed industrial land and 856 acres of public land.

**South Placer Municipal Utility District.** SPMUD was established pursuant to the Municipal Utility District Act (California Public Utilities Code Sections 11501 et seq.) in 1956 under the original name of the Rocklin-Loomis Municipal Utility District. In 1987, SPMUD changed its name to the South Placer Municipal Utility District. SPMUD services include the entire City of Rocklin, a major portion of the City of Loomis and certain unincorporated areas of Placer County (near Penryn). SPMUD currently provides sewer collection service to a population of approximately 75,000, involving approximately 28,825 equivalent dwelling units. SPMUD services

an area of approximately 26 square miles, involving the entire City of Rocklin, a major portion of the City of Loomis and certain unincorporated areas of Placer County (near Penryn).

**County of Placer.** Placer County provides wastewater collection services to certain of its residents through a sewer maintenance district ("SMD No. 2") and three county service areas ("CSA No. 2A," "CSA No. 55 and "CSA No. 173"). SMD No. 2, established in 1961, comprises 11.9 square miles and currently serves a population of approximately 18,360, involving 7,068 equivalent dwelling units. CSA No. 2A was established in 1963, comprises 2.3 square miles of industrial property, involving 1,115 equivalent dwelling units. CSA No. 55 was established in 1978, comprises 0.2 square miles and currently serves a population of approximately 577, involving 232 equivalent dwelling units. CSA No. 173 was established in 2003, serves approximately 1.5 square miles of land, and currently serves a population of approximately 2,732 involving 1,111 equivalent dwelling units.

Sewer collection service is provided to other residents of Placer County through other sewer maintenance districts and county service areas, revenues from which are not in any way pledged under the Funding Agreement, the Indenture or involved in the repayment of any obligations of the Authority, including the Series 2008 Bonds.

# **Security for the Series 2008 Bonds**

The Series 2008 Bonds are payable from the Authority Revenues, consisting principally of payments from the Participants under the Funding Agreement. In consideration for providing wastewater treatment capacity, each Participant has agreed to pay its Proportionate Share of Debt Service under the Funding Agreement, as well as its share of Regional Operation and Maintenance Costs under the Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities, dated as of October 1, 2000 (the "Operations Agreement"), among the Authority and the Participants. The obligation of each of the Participants to pay its Proportionate Share of Debt Service is secured by a pledge of the Participant Net Revenues of the respective Systems of the Participants. The payment of Proportionate Shares of Debt Service is an unconditional obligation and is not subject to abatement. The obligation of the Participants to pay their Proportionate Share of Debt Service is a several, but not joint, obligation and there is no cross-collateralization of the Proportionate Share of Debt Service obligation among the Participants. See "SECURITY FOR THE SERIES 2008 BONDS."

While the Series 2008 Bonds bear interest at Weekly Rates or Daily Rates, the principal of and interest on the Series 2008 Bonds and the purchase price of Series 2008 Bonds tendered or deemed tendered for purchase and not remarketed are to be paid with proceeds of drawings to be made by the Trustee and Tender Agent under an irrevocable, direct-pay letter of credit (the "Letter of Credit") to be issued by State Street Bank and Trust Company ("State Street") and California State Teachers' Retirement System ("CalSTRS" and, together with State Street, the "Credit Provider"). The Letter of Credit is stated to expire on April 10, 2011, unless extended or terminated earlier, and may be replaced by an Alternate Credit Facility. See "LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" below and APPENDICES D and E attached hereto. PROSPECTIVE INVESTORS SHOULD NOT EXPECT THE AUTHORITY OR THE PARTICIPANTS TO BE ABLE TO PAY DIRECTLY THE PRINCIPAL OR REDEMPTION OR PURCHASE PRICE OF THE SERIES 2008 BONDS OR THE INTEREST ON THE SERIES 2008 BONDS AS SUCH PAYMENTS BECOME DUE. ACCORDINGLY, THE INVESTMENT DECISION TO PURCHASE THE SERIES 2008 BONDS SHOULD BE MADE SOLELY ON THE BASIS OF THE CREDITWORTHINESS OF THE CREDIT PROVIDERS. SEE APPENDICES D, E AND F. THE OBLIGATION OF EACH OF THE CREDIT PROVIDERS UNDER THE LETTER OF CREDIT IS A SEVERAL AND NOT JOINT OBLIGATION. UNDER THE TERMS OF THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT, THERE IS NO OBLIGATION ON ANY OF THE CREDIT PROVIDERS TO ASSUME ANY LETTER OF CREDIT OBLIGATIONS OF ANY OTHER CREDIT PROVIDER IF ANY CREDIT PROVIDER IS UNWILLING OR UNABLE TO HONOR ITS OBLIGATIONS UNDER THE LETTER OF CREDIT. UNDER THE TERMS OF THE LETTER OF CREDIT, IN RESPECT OF EACH DRAWING MADE UNDER AND IN COMPLIANCE WITH THE TERMS OF THE LETTER OF CREDIT, EACH CREDIT PROVIDER SHALL BE LIABLE FOR HONORING SUCH DRAWING ONLY TO THE EXTENT OF THE FOLLOWING RESPECTIVE PERCENTAGES: STATE STREET: 75% AND CALSTRS: 25%. SEE "LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" HEREIN AND APPENDICES D AND E ATTACHED HERETO.

THE SERIES 2008 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE AUTHORITY REVENUES. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY OR THE PARTICIPANTS IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2008 BONDS, AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE AUTHORITY REVENUES IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2008 BONDS. THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR ANY PARTICIPANT FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

#### **Other Matters**

This introduction contains only a brief summary of certain of the terms of the Series 2008 Bonds being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document.

#### Additional Information

Copies of the Funding Agreement and the Indenture will be available for inspection at the offices of the Authority, and will be available upon request and payment of duplication costs from the Trustee.

# PLAN OF FINANCING

# **Plan of Refunding**

A portion of the net proceeds from the sale of the Series 2008A Bonds will be used to refund on a current basis the remaining outstanding 2000B Bonds (the "Defeased 2000B Bonds") on or about April 10, 2008. A portion of the net proceeds from the sale of the Series 2008B Bonds will be used to (i) refund on a current basis the remaining outstanding Series 2003 Bonds (the "Defeased 2003 Bonds") on or about April 10, 2008, and (ii) refund on an advance basis a portion of the remaining outstanding 2000A Bonds (the "Defeased 2000A Bonds").

The Defeased 2000A Bonds will be defeased, paid and redeemed pursuant to the Escrow Agreement, dated as of April 1, 2008 (the "Escrow Agreement"), by and between the Authority and The Bank of New York Trust Company, N.A., as escrow agent (the "Escrow Agent"). On the date of delivery of the Series 2008 Bonds, the Authority will cause the Escrow Agent to acquire certain noncallable direct obligations of the United States of America (the "Federal Securities") for deposit in the refunding escrow to be established pursuant to the Escrow Agreement, and the Defeased 2000A Bonds will be defeased in accordance with the provisions of the Indenture of Trust for the Series 2000A Bonds. A portion of Series 2008B Bond proceeds as well as moneys released from the debt service and reserve accounts with respect to the 2000A Bonds and moneys released from the Rate Stabilization Fund are expected to fund the purchase of Federal Securities. Under the Escrow Agreement, the Defeased 2000A Bonds will be redeemed on November 1, 2008, November 1, 2009 and November 1, 2010.

# **Interest Rate Exchange Agreement**

The Authority entered into an interest rate swap agreement (the "Swap Agreement") with Morgan Stanley Capital Services Inc. (the "Counterparty"), a wholly owned subsidiary of Morgan Stanley (a Delaware Corporation) and an affiliate of Morgan Stanley & Co. Incorporated, the underwriter, that settled contemporaneously with the issuance of the Series 2003 Bonds. The payment obligations of the Counterparty under the Swap Agreement are

general, unsecured obligations of the Counterparty. Pursuant to the related guarantee delivered with respect to the Swap Agreement, Morgan Stanley unconditionally and irrevocably guaranteed the due and punctual payment of all amounts payable by the Counterparty under the Swap Agreement. The Swap Agreement has a term extending to the scheduled final maturity date of the Series 2003 Bonds and requires the Authority to make periodic payments calculated on the basis of a fixed rate of interest applied to a notional amount equivalent to the outstanding principal amount of the Series 2003 Bonds in exchange for receipt of payments calculated based on a variable rate index.

It is intended that the Swap Agreement will be amended in connection with the issuance of the Series 2008B Bonds, to among other things, require the Authority to make periodic payments calculated on the basis of a fixed rate of interest applied to a notional amount equivalent to the outstanding principal amount of the Series 2008B Bonds in exchange for receipt of payments calculated based on a variable rate index.

The terms of the Swap Agreement, as amended, will not alter or affect any of the obligations of the Authority with respect to the payment of principal of or interest on the Series 2008B Bonds. Neither the owners of the Series 2008B Bonds, nor any person other than the Authority, shall have any rights under the Swap Agreement or against the Counterparty. Payments due under the Swap Agreement will not be pledged to the payment of principal of or interest on the Series 2008B Bonds, except indirectly as a pledge of the Authority Revenues under the Indenture.

Pursuant to the Indenture, the Authority covenants that the Swap Agreement (except the obligations to make payments upon any early termination or event of default) is a Parity Bond obligation payable from and secured by a pledge of Authority Revenues as described in the Indenture on a parity with all other existing and future Parity Bonds. The obligations of the Authority under such Swap Agreement to make payments upon early termination or event of default are payable solely from amounts on deposit in the Rate Stabilization Fund under the Funding Agreement, provided however, that the Funding Agreement may be amended to provide that such termination payments be payable from and secured by a pledge of Authority Revenues on a parity with the Series 2008 Bonds and any other Parity Bonds and/or other sources. The Authority is not required to advance any moneys derived from any source of income other than the Authority Revenues for the payments due under the Swap Agreement or for the performance of any agreements or covenants required to be performed by it contained in the Swap Agreement.

# ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Series 2008 Bonds, excluding accrued interest, are as follows:

	Series 2008A Bonds	Series 2008B Bonds	<u>Total</u>
Sources:			
Par Amount	\$72,504,000	\$92,850,000	\$165,354,000
Authority Funds		6,301,698	6,301,698
Released Funds Related to Defeased Bonds	4,255,038	8,157,378	12,412,416
<b>Total Sources</b>	\$76,759,038	\$107,309,076	\$184,068,114
Uses:			
Deposit to Escrow Fund	\$70,206,557	\$102,341,734	\$172,548,291
Deposit to Reserve Account	6,174,180	4,484,901	10,659,081
Costs of Issuance <sup>(1)</sup>	378,301	482,442	860,742
Total Uses <sup>(2)</sup>	\$76,759,038	\$107,309,076	\$184,068,114

<sup>(1)</sup> Includes legal, printing, rating, trustee and Authority fees, underwriting discount, letter of credit fees, Financial Advisor fees and other miscellaneous costs of issuance.

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<sup>(2)</sup> Numbers may not add due to rounding.

# THE SERIES 2008 BONDS

#### General

This Official Statement describes certain terms of the Series 2008 Bonds applicable while each Series of the Series 2008 Bonds bears interest at a Daily Rate or a Weekly Rate. There are significant changes in the terms applicable to the Series 2008 Bonds in other Interest Rate Modes. This Official Statement is not intended to provide information with respect to the Series 2008 Bonds during any Rate Period other than a Weekly Rate Period or a Daily Rate Period. Any terms not defined in this section shall have the meanings assigned to them in Appendix A attached hereto.

The Series 2008 Bonds will be dated their date of delivery, will initially bear interest at the Weekly Rate (payable on the first Business Day of each calendar month, commencing on May 1, 2008). The Series 2008A Bonds will mature and become payable on November 1, 2035. The Series 2008B Bonds will mature and become payable on November 1, 2027. The Series 2008 Bonds will be issued as fully registered bonds in denominations of \$100,000 or any integral multiple of \$1,000 in excess thereof. The Series 2008 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of a nominee of DTC, which will act as securities depository for the Series 2008 Bonds. So long as the Series 2008 Bonds remain in book-entry form, payments of principal and interest with respect to the Series 2008 Bonds will be made by the Trustee to DTC for subsequent credit to DTC Participants and disbursement to Beneficial Owners. For additional information concerning the bookentry system, see APPENDIX C attached hereto.

Until changed as described below, the Series 2008 Bonds will be in a Weekly Mode and will bear interest at the applicable Weekly Rate. Interest on the 2008 Bonds shall be computed on the basis of the actual number of days elapsed and a 365/366 day year (except that interest on Bank Bonds shall be computed on the basis provided in the Reimbursement Agreement). Thereafter, the Series 2008 Bonds may be converted to a Daily Rate, a Commercial Paper Rate, an Auction Rate, or a Long-Term Rate, or thereafter again to a Weekly Rate. The respective interest rates on the Series 2008A Bonds and the Series 2008B Bonds are determined separately and the Series 2008A Bonds and the Series 2008B Bonds may bear interest in different Modes.

# **Determination of Weekly Rates**

During each Weekly Rate Period for a Series of the Series 2008 Bonds such Series 2008 Bonds shall bear interest at the Weekly Rate, which shall be determined by the Remarketing Agent for Series 2008 Bonds by no later than 5:00 p.m. (New York City time) on Wednesday of each week during such Weekly Rate Period, or if such day shall not be a Business Day, then on the next succeeding Business Day. The first Weekly Rate determined for each Weekly Rate Period shall be determined on or prior to the first day of such Weekly Rate Period and shall apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Wednesday (whether or not a Business Day). Thereafter, each Weekly Rate shall apply to the period commencing on Thursday (whether or not a Business Day) and ending on the next succeeding Wednesday (whether or not a Business Day), unless such Weekly Rate Period shall end on a day other than Wednesday, in which event the last Weekly Rate for such Weekly Rate Period shall apply to the period commencing on Thursday (whether or not a Business Day) preceding the last day of such Weekly Rate Period and ending on the last day of such Weekly Rate Period. The Weekly Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by such Series 2008 Bonds under Prevailing Market Conditions, would enable the Remarketing Agent to sell such Series 2008 Bonds on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Rate for any week, then the Weekly Rate for such week shall be the same as the Weekly Rate for the immediately preceding week if the Weekly Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to the Variable Index on the day such Weekly Rate would otherwise be determined as provided herein for such Weekly Rate Period.

# **Determination of Daily Rates**

During each Daily Rate Period for a Series of Series 2008 Bonds, such Series 2008 Bonds shall bear interest at the Daily Rate, which shall be determined by the Remarketing Agent by no later than 9:30 a.m. (New York City time) on each Business Day. The Daily Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by such Series 2008 Bonds under Prevailing Market Conditions, would enable the Remarketing Agent to sell such Series 2008 Bonds on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Rate for any Business Day, then the Daily Rate for such Business Day shall be equal to the Variable Index on such Business Day.

#### Conversion

**Conversion to Daily Rate.** Subject to the Indenture, at any time, the Authority, with the written consent of the Credit Provider (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent, may elect that a Series of the Series 2008 Bonds shall bear interest at a Daily Rate. Such direction of the Authority shall specify the proposed Conversion Date for such Conversion to a Daily Rate Period, which shall be a Business Day not earlier than the 20th day following receipt by the Trustee of such direction.

In addition, if the Conversion is from other than a Weekly Rate, such direction shall be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Conversion Date and by the form of notice to be sent to the Owners pursuant to the Indenture as described in the paragraph below. During each Daily Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate borne by the Series 2008 Bonds shall be a Daily Rate.

The Trustee shall give notice by first-class mail of a Conversion to a Daily Rate Period to the Credit Provider and the Owners of the Series 2008 Bonds not less than 15 days prior to the proposed effective date of such Daily Rate Period. Such notice shall state: (i) that the interest rate on such Series 2008 Bonds will be adjusted to a Daily Rate unless, if the Conversion is from other than a Weekly Rate Period, Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee, the Authority and the Remarketing Agent on the Conversion Date; (ii) the proposed Conversion Date for such Daily Rate Period; and (iii) if the Conversion is from other than a Weekly Rate Period, that such Series 2008 Bonds are subject to mandatory tender for purchase on such proposed Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Series 2008 Bonds.

Conversion to Auction Period. Subject to the Indenture, at any time, the Authority, with the written consent of the Credit Provider (which consent may not be unreasonably withheld) by written direction to the Trustee and the Remarketing Agent, may elect that a Series of Series 2008 Bonds shall bear interest at an Auction Rate. Such direction of the Authority shall specify the proposed Conversion Date for such Conversion to an Auction Period, which shall be: (i) a Business Day not earlier than the 20th day following receipt by the Trustee of such direction, and (ii) in the case of Conversion from a Daily Rate Period or a Weekly Rate Period, the date immediately following an Interest Period during the Daily Rate Period or Weekly Rate Period, respectively. In addition, such direction shall be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Conversion Date. In addition, such direction shall confirm the appointment of an Auction Agent, the initial Broker-Dealer(s) and shall specify the initial Auction Date and the form of notice to be sent to the Owners pursuant to the Indenture as described in the paragraph below. During each Auction Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate borne by the such Series 2008 Bonds shall be an Auction Rate.

The Trustee shall give notice by first-class mail of a Conversion to an Auction Period to the Owners of the Series 2008 Bonds not less than 15 days prior to the proposed effective date of such Auction Period. Such notice shall state: (i) that the interest rate on such Series 2008 Bonds will be adjusted to an Auction Rate unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee, the Authority and the Remarketing Agent on the Conversion Date; (ii) the proposed Conversion Date for such Auction Period; and (iii) that such 2008

Bonds are subject to mandatory tender for purchase on such proposed Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Series of Series 2008 Bonds.

Conversion to Weekly Rate. Subject to the Indenture, at any time, the Authority, with the written consent of the Credit Provider (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent (and, in the case of Conversion from an Auction Period, the Broker-Dealer), may elect that a Series of the Series 2008 Bonds shall bear interest at a Weekly Rate. Such direction of the Authority shall specify the proposed Conversion Date for such Conversion to a Weekly Rate Period, which shall be a Business Day not earlier than the 20th day following receipt by the Trustee of such direction. In addition, if the Conversion is from other than a Daily Rate, such direction shall be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Conversion Date and by the form of notice to be sent to the Owners pursuant to the Indenture as described in the paragraph below. During each Weekly Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate borne by the 2008 Bonds shall be a Weekly Rate.

The Trustee shall give notice by first-class mail of a Conversion to a Weekly Rate Period to the Credit Provider and the Owners of such Series of Series 2008 Bonds not less than 15 days prior to the proposed effective date of such Weekly Rate Period. Such notice shall state: (i) that the interest rate on such Series 2008 Bonds will be adjusted to a Weekly Rate unless, if the Conversion is from other than a Weekly Rate Period, Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee and the Authority on the Conversion Date; (ii) the proposed Conversion Date for such Weekly Rate Period; and (iii) if the Conversion is from other than a Daily Rate Period, that such Series 2008 Bonds are subject to mandatory tender for purchase on such proposed Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Series 2008 Bonds.

Conversion to or Continuation of Long-Term Rate. Subject to the Indenture, at any time, the Authority, with the written consent of the Credit Provider (which consent may not be unreasonably withheld) by written direction to the Trustee and the Remarketing Agent, may elect that a Series of Series 2008 Bonds shall bear interest at a Long-Term Rate, provided that: (i) at least seven days prior to such Long-Term Conversion Date, the Trustee shall have received a copy of a firm commitment or a bond purchase agreement in customary written form satisfactory to the Trustee from an underwriter acceptable to the Authority to purchase all such Series 2008 Bonds by 12:00 noon (New York City time) on such proposed Long-Term Conversion Date; (ii) at or prior to 12:00 noon (New York City time) on such proposed Long-Term Conversion Date, the Trustee shall have received the Purchase Price of such Series 2008 Bonds from the underwriter under the firm commitment or bond purchase agreement, and (iii) on or prior to the Long-Term Conversion Date, the Favorable Opinion of Bond Counsel shall have been received by the Trustee and confirmed to the Remarketing Agent. If a notice of a proposed Conversion to a Long-Term Rate Period has been provided to the Owners pursuant to the Indenture but the Trustee shall not have received the entire amount owed with respect to all specified Series 2008 Bonds on the Long-Term Conversion Date, or if any other condition precedent to the adjustment to the Long-Term Rate Period shall not have been met, then the specified Series 2008 Bonds shall be subject to mandatory tender for purchase pursuant but the proposed conversion to the Long-Term Rate Period shall not take place. In the event that the Authority shall elect that a Series of Series 2008 Bonds shall bear interest at a Long-Term Rate, the direction of the Authority required by the first sentence of this paragraph, (i) shall specify the duration of the Long-Term Rate Period during which such Series 2008 Bonds shall bear interest at such Long-Term Rate or Rates; (ii) shall specify the proposed Long-Term Conversion Date, which date shall be a Business Day not earlier than the 20th day following receipt by the Trustee of such direction; (iii) shall specify the last day of such Long-Term Rate Period (which last day shall be either the day immediately prior to the maturity date, or a day which both immediately precedes a Business Day and is at least 271 days after the effective date thereof); (iv) shall specify a date or dates on or prior to which Owners are required to deliver such Series 2008 Bonds to be purchased. The direction of the Authority described above shall be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Long-Term Conversion Date and by a form of the notice to be mailed by the Trustee to the Owners of such Series 2008 Bonds as provided in the Indenture. During the Long-Term Rate Period commencing and ending on the dates so determined and during each successive Long-Term Rate Period, if any, so determined, the interest rate borne by such Series 2008 Bonds shall be a Long-Term Rate. If, by the second Business Day preceding the 29th day prior to the last day of any Long-Term Rate Period which ends on a day other than the day immediately preceding the maturity date of such Series 2008 Bonds, the Trustee shall not have received notice of the Authority's election that,

during the next succeeding Rate Period, such Series 2008 Bonds shall bear interest at a Weekly Rate or a Long-Term Rate or at Commercial Paper Rate, the next succeeding Rate Period shall be a Weekly Rate Period until such time as the interest rate on such Series 2008 Bonds shall be adjusted to a Long-Term Rate or Commercial Paper Rate Rates as provided in the Indenture.

The Trustee shall give notice by first-class mail of Conversion to a Long-Term Rate Period to the Credit Provider and the Owners of such Series 2008 Bonds not less than fifteen days prior to the proposed Long-Term Conversion Date for such Long-Term Rate Period. Such notice shall state: (i) that the interest rate on such Series of Series 2008 Bonds shall be adjusted to, or continue to be, a Long-Term Rate unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee, the Authority and the Remarketing Agent as to such adjustment in the Rate Period on the Long-Term Conversion Date or any of the other conditions in the Indenture are not met; (ii) the proposed Long-Term Conversion Date; and (iii) that such Series 2008 Bonds are subject to mandatory tender for purchase on such proposed Long-Term Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Series 2008 Bonds.

Adjustment to Commercial Paper Rates. Subject to the Indenture, at any time, the Authority, with the written consent of the Credit Provider (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent, may elect that a Series of Series 2008 Bonds shall bear interest at Commercial Paper Rates. Such direction of the Authority shall specify the proposed Conversion Date for the Commercial Paper Rate Period (during which such Series 2008 Bonds shall bear interest at Commercial Paper Rates), which shall be (i) a Business Day not earlier than the 20th day following receipt by the Trustee of such direction, and (iii) in the case of Conversion from a Weekly Rate Period, the day immediately following the last day of such Rate Period with respect to such Series 2008 Bonds. In addition, the direction of the Authority shall be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Conversion Date and a form of the notice to be mailed by the Trustee to the Owners of such Series 2008 Bonds as provided in the Indenture. During each Commercial Paper Rate Period commencing on the date so specified and ending, with respect to each such Series 2008 Bond, on the day immediately preceding the effective date of the next succeeding Rate Period with respect to such Series 2008 Bond, each such Series 2008 Bond shall bear interest at a Commercial Paper Rate during each Commercial Paper Rate for such Series 2008 Bond.

The Trustee shall give notice by first-class mail of Conversion to a Commercial Paper Rate Period to the Credit Provider and the Owners of the specified Series 2008 Bonds not less than 15 days prior to the proposed Conversion Date for such Commercial Paper Rate Period. Such notice shall state: (i) that such Series 2008 Bonds shall bear interest at Commercial Paper Rates unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee, the Authority and the Remarketing Agent as to such Conversion on the Conversion Date or the other conditions precedent to such adjustment are not met; (ii) the proposed effective date of such Commercial Paper Rate Period; (iii) that such Series 2008 Bonds are subject to mandatory tender for purchase on such proposed Conversion Date for such Commercial Paper Rate Period, regardless of whether any or all conditions precedent to the adjustment are met, and setting forth the applicable Purchase Price and the place of delivery for purchase of such Series 2008 Bonds.

Conversion; Cancellation of Conversion. In the event that the Authority shall elect to adjust the interest rate on a Series of the Series 2008 Bonds to an Auction Rate, a Daily Rate, a Long-Term Rate or Commercial Paper Rate as provided in the Indenture, then the written direction furnished by the Authority to the Trustee, the Credit Provider and the Remarketing Agent as required shall be made by registered or certified mail, or by telecopy, confirmed by registered or certified mail. Any such direction of the Authority shall specify whether the Series of Series 2008 Bonds are to bear interest at the Daily Rate, the Auction Rate, Commercial Paper Rate Rates or the Long-Term Rate and shall be accompanied by a copy of the notice required to be given by the Trustee pursuant to the Indenture. Notwithstanding anything in the Indenture, in connection with any Conversion of the Interest Rate Mode on a Series of Series 2008 Bonds, the Authority shall cause a Favorable Opinion of Bond Counsel to be provided to the Trustee, the Authority and the Remarketing Agent on the proposed Conversion Date. In the event that Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel or any other condition precedent to such adjustment is not met on the proposed Conversion Date, then the Interest Rate Mode for such Series 2008 Bonds shall not be adjusted, and such Series 2008 Bonds shall continue to bear interest at the Weekly Rate as in effect immediately prior to such proposed adjustment in the Rate Period. In any event, if notice of such adjustment has

been mailed to the Owners such Series 2008 Bonds as provided in the Indenture and any conditions set forth in the applicable provisions of the Indenture have not been met, such Series 2008 Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the proposed effective date of such adjustment as provided in the Indenture.

The Authority may cancel its election to adjust the Interest Rate Mode on a Series of Series 2008 Bonds on any date prior to the date on which notice of such Conversion has been mailed to the Owners of such Series 2008 Bonds as provided in the Indenture upon notice to the Trustee and the Remarketing Agent. In such event, such Series 2008 Bonds shall remain in the current Interest Rate Mode and the interest rate on such Series 2008 Bonds shall continue to be determined as provided in the Indenture.

# **Optional Tender**

**During Weekly Rate Period.** If the Interest Rate Mode is the Weekly Rate, any Series 2008 Bond shall be purchased on the demand of the owner thereof on any Business Day during a Weekly Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date, upon written notice to the Trustee, at its Trust Office at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date, which notice (a) states the Series, number and principal amount (or portion thereof) of such 2008 Bond to be purchased, (b) states the Purchase Date on which such 2008 Bond shall be purchased and (c) irrevocably requests such purchase and agrees to deliver such 2008 Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Trustee at or prior to 12:00 Noon (New York City time) on such Purchase Date.

**During Daily Rate Period.** If the Interest Rate Mode is the Daily Rate, any Series 2008 Bond shall be purchased on the demand of the owner thereof on any Business Day during a Daily Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date upon written notice or Electronic Notice to the Trustee, at its Trust Office not later than 10:00 a.m. (New York City time) on such Business Day of such owner's demand for purchase pursuant to the Indenture, which notice (a) states the Series, number and principal amount (or portion thereof) of such Series 2008 Bond to be purchased, (b) states the Purchase Date on which such Series 2008 Bond shall be purchased and (c) irrevocably requests such purchase and agrees to deliver such Series 2008 Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Trustee at or prior to 12:00 noon (New York City time) on such Purchase Date.

Notwithstanding any other provision of the Indenture, the Owner of a Series 2008 Bond may demand purchase of a portion of such Series 2008 Bond only if the portion to be purchased and the portion to be retained by such owner each will be in an Authorized Denomination.

# **Mandatory Tender**

**Mandatory Purchase on Conversion Date.** The Series 2008 Bonds shall be subject to mandatory purchase on each Conversion Date other than a Conversion Date converting the Interest Rate Mode from a Daily Rate to a Weekly Rate or from a Weekly Rate to a Daily Rate.

**Mandatory Purchase Upon Delivery of Alternate Credit Facility**. The Series 2008 Bonds shall be subject to mandatory purchase on the effective date of an Alternate Credit Facility.

Mandatory Tender Upon Failure to Renew Credit Facility. The Series 2008 Bonds shall be purchased on the fifth Business Day preceding the date of expiration of the Credit Facility if a notice of renewal of the Credit Facility is not delivered by the Bank to the Trustee at least 25 days prior to the scheduled expiration of the Credit Facility.

**Mandatory Tender Upon Termination of Credit Facility**. The Series 2008 Bonds shall be purchased on the Business Day preceding the date of termination of the Credit Facility.

Notice of a mandatory tender required by the paragraphs above shall be given in accordance with the provisions of the Indenture at least 20 days prior to the date of mandatory tender, or, in the event the Trustee does not have notice of the occurrence of the event which requires mandatory tender at least 20 days prior to the date of mandatory tender, notice shall be given as soon a practicable upon receipt of notice by the Trustee.

**Mandatory Tender Upon Default Under Reimbursement Agreement.** The Series 2008 Bonds secured by a Credit Facility shall also be purchased on any Business Day within 7 days after receipt by the Trustee of written notification from the Participants that an event of default under the Reimbursement Agreement has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the Series 2008 Bonds. Upon receiving such notice, the Trustee shall promptly mail a notice to all Owners of the Series 2008 Bonds stating that the Series 2008 Bonds will be subject to mandatory tender on the purchase date selected by the Trustee.

In connection with any mandatory tender for purchase of Series 2008 Bonds, the Trustee shall give the notice provided in the Indenture separately or as a part of the notice given pursuant to the applicable provisions of the Indenture. The form of such notice shall be provided by the Authority and shall state: (i) that the Purchase Price of any Series 2008 Bond so subject to mandatory tender for purchase shall be payable only upon surrender of such Series 2008 Bond to the Trustee at its Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof or by the Owner's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (ii) that all Series 2008 Bonds so subject to mandatory tender for purchase shall be purchased on the mandatory purchase date which shall be explicitly stated; and (iii) that in the event that any Owner of a Series 2008 Bond so subject to mandatory tender for purchase shall not surrender such Series 2008 Bond to the Trustee for purchase on such mandatory purchase date, then such Series 2008 Bond shall be deemed to be an Undelivered Series 2008 Bond, and that no interest shall accrue thereon on and after such mandatory purchase date and that the Owner thereof shall have no rights under the Indenture other than to receive payment of the Purchase Price thereof.

# Redemption

**Special Redemption.** The Series 2008 Bonds of each Series shall be subject to redemption as a whole on any date, or in part on any Interest Payment Date, pro rata among maturities, and by lot within a maturity, to the extent of the Net Proceeds of hazard insurance not used to repair or rebuild the Enterprise or the Net Proceeds of condemnation awards received with respect to the Enterprise to be used for such purpose pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Series 2008 Bonds plus interest accrued thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption.** The Series 2008A Bonds are subject to mandatory redemption in part from Sinking Fund Installments to be made by the Authority on November 1, 2028 and on each November 1 thereafter up to and including November 1, 2035, at a Redemption Price equal to the principal amount thereof plus accrued interest, if any, to the redemption date without premium, as follows:

Year	Principal Amount
2028	\$ 7,750,000
2029	8,094,000
2030	8,450,000
2031	8,824,000
2032	9,218,000
2033	9,625,000
2034	10,051,000
2035†	10,492,000

The Series 2008B Bonds are subject to mandatory redemption in part from Sinking Fund Installments to be made by the Authority on November 1, 2008 and on each November 1 thereafter up to and including November 1,

<sup>†</sup> Final Maturity.

2027, at a Redemption Price equal to the principal amount thereof plus accrued interest, if any, to the redemption date without premium, as follows:

<u>Year</u>	Principal Amount
2008	\$ 700,000
2009	725,000
2010	750,000
2011	3,950,000
2012	4,075,000
2013	4,225,000
2014	4,400,000
2015	4,550,000
2016	4,700,000
2017	4,900,000
2018	5,075,000
2019	5,250,000
2020	5,450,000
2021	5,650,000
2022	5,850,000
2023	6,075,000
2024	6,275,000
2025	6,500,000
2026	6,750,000
2027†	7,000,000
	7,000,000

<sup>†</sup> Final Maturity.

Any Bank Bonds are subject to redemption in accordance with the terms of the applicable Credit Facility and related documents.

**Optional Redemption.** Whenever the Interest Rate Mode is the Daily Rate or Weekly Rate, such Series 2008 Bonds shall be subject to redemption prior to their stated maturity at the option of the Authority, in whole or in part on any Business Day with respect to such Series 2008 Bonds (in such amounts as may be specified by the Authority), by lot, at the principal amount thereof, without premium.

Selection of Series 2008 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of a Series of the Series 2008 Bonds, the Trustee shall select the Series 2008 Bonds of such applicable Series to be redeemed, from all Series 2008 Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. Any Bank Bonds shall be prepaid in accordance with the applicable provisions of the Credit Facility and shall be prepaid before any other Series 2008 Bonds.

Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail, not less than 30 days nor more than 60 days prior to the redemption date, to the respective Owners of any Series 2008 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Any Series 2008 Bond which is remarketed subsequent to a notice of redemption being delivered, but prior to the date of such redemption, shall be delivered to the purchaser thereof accompanied by such notice. The Trustee shall also give notice of redemption by overnight mail or by such other method acceptable to the Credit Provider and such institutions to such securities depositories and/or securities information services as shall be designated in a Certificate of the Authority. Each notice of redemption shall state the date of such notice, the date of issue of the Series 2008 Bonds, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP numbers, if any, and, in the case of Series 2008 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2008 Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a

Series 2008 Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2008 Bonds be then surrendered.

Failure by the Trustee to give notice of redemption pursuant to the Indenture to any one or more of the securities information services or depositories designated by the Authority, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to the Indenture to any one or more of the respective Owners of any Series 2008 Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom such notice was mailed.

Conditional notice of optional redemption may be given at the direction of the Authority, provided however that prior to or contemporaneously with any withdrawal or rescission of any notice of redemption, the Trustee and the Tender Agent receive written confirmation from the Credit Provider of the full reinstatement, if any, of the Credit Facility.

Any redemption notice given pursuant to the Indenture may be rescinded by written notice given to the Trustee by the Authority no later than five Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such redemption was given pursuant to the Indenture.

**Partial Redemption of Series 2008 Bonds.** Upon surrender of any Series 2008 Bond redeemed in part only, the Authority shall execute (but need not prepare) and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Series 2008 Bond or Series 2008 Bonds of authorized denominations, equal in aggregate principal amount to the unredeemed portion of the Series 2008 Bond surrendered.

**Effect of Redemption.** Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Series 2008 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2008 Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest on the Series 2008 Bonds so called for redemption shall cease to accrue, said Series 2008 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2008 Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment. All Series 2008 Bonds prepaid pursuant to the provisions of this Article shall be canceled upon surrender thereof and delivered to or upon the Order of the Authority.

# **Purchase and Remarketing of Series 2008 Bonds**

**Purchase of Series 2008 Bonds**. Any Series 2008 Bonds tendered to the Trustee for purchase will be held in trust for the benefit of the respective Owners of such Series 2008 Bonds until moneys representing the Purchase Price of such Series 2008 Bonds have been delivered to such Owner. The term "Purchase Price" of any Purchased Series 2008 Bond means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided however, that if the Purchase Date for any Purchased Series 2008 Bond is an Interest Payment Date, the Purchase Price thereof will be the principal amount thereof, and interest with respect to the such Series 2008 Bond will be paid to the Owner of such Series 2008 Bond pursuant to the Indenture.

The Purchase Price of Purchased Series 2008 Bonds will be paid by the Trustee or Tender Agent at or before 4:00 p.m. (New York City time) on the Purchase Date from the proceeds of the sale of such Series 2008 Bonds received from the Remarketing Agent and, to the extent sufficient remarketing proceeds to pay the Purchase Price are not received, from draws on the Credit Facility. The "Funding Amount" required under the Credit Facility is an amount equal to the difference between (a) the total Purchase Price of those Purchased Series 2008 Bonds to be purchased and (b) the Purchase Price of those Purchased Series 2008 Bonds to be purchased with respect to which

the Remarketing Agent expects to transfer, or to cause to be transferred, immediately available funds to the Trustee on the Purchase Date for deposit in the Remarketing Proceeds Account established under the Indenture.

The Trustee will draw on the Credit Facility pursuant to the terms thereof or of the respective Reimbursement Agreement (or, if at any time there is an Alternate Credit Facility, then pursuant to the requirements of such Alternate Credit Facility) on the Purchase Date. Such moneys will be held by the Trustee in trust for the benefit of the Participants and the Owners of the Series 2008 Bonds, and used only to pay the Purchase Price as provided in the Indenture, and if not so used will be promptly returned to the Participants. If the Series 2008 Bonds are not Book-Entry Bonds, all amounts received from a draw under the Credit Facility will be transferred immediately by the Trustee to the Tender Agent to purchase tendered Series 2008 Bonds on the Purchase Date. Until applied to pay the Purchase Price or returned to the Participants, all such amounts will be deposited in a separate, segregated Eligible Account of the Trustee and until so applied will be held uninvested in trust for the benefit Owners tendering such Series 2008 Bonds for purchase.

# See Appendix A - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Remarketing. Morgan Stanley & Co. Incorporated will serve as the initial Remarketing Agent for the Series 2008 Bonds. Under the Remarketing Agreement, the Remarketing Agent has agreed to: (i) determine the interest rates applicable to such Series 2008 Bonds and give notice to the Trustee of such rates and periods in accordance with the Indenture; (ii) keep such books and records as shall be consistent with prudent industry practice; and (iii) use its best efforts to remarket Series 2008 Bonds in accordance with the Indenture. The Remarketing Agent shall hold all amounts received by it in accordance with any remarketing of Series 2008 Bonds pursuant to the Indenture in trust only for the benefit of the Owners of tendered Series 2008 Bonds and shall not commingle such amounts with any other moneys.

**Disbursements; Payment of Purchase Price**. Moneys delivered to the Trustee on a Purchase Date shall be applied at or before 3:00 p.m. (New York City time) on such Purchase Date to pay the Purchase Price of Purchased 2008 Bonds in immediately available funds as follows and, to the extent not so applied on such date, shall be held in the Purchase Fund for the benefit of the Owners of the Purchased 2008 Bonds which were to have been purchased.

**Unclaimed Moneys**. Any moneys held by the Trustee in the Purchase Fund remaining unclaimed by the Owners of the Purchased 2008 Bonds which were to have been purchased for two years after the respective Purchase Date for such Purchased 2008 Bonds shall be paid, upon the written request of the Authority to the Authority, against written receipt therefor. The Owners of Purchased 2008 Bonds who have not yet claimed money in respect of such Series 2008 Bonds shall thereafter be entitled to look only to the Trustee, to the extent it shall hold moneys on deposit in the Purchase Fund or the Authority to the extent moneys have been transferred in accordance with the Indenture.

No Remarketing Under Certain Conditions. Notwithstanding anything in the Indenture to the contrary, there will be no remarketing of Bonds pursuant to the Indenture: (1) upon the occurrence of and the continuing of certain Events of Default as described in the Indenture, (2) upon receipt by the Trustee of written notification from the Credit Provider that an event of default under the Reimbursement Agreement has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the Bonds, or (3) for the period during which the Trustee has notice that the amount available to be drawn under the Credit Facility will not or has not been reinstated, or (4) at any time when no Credit Facility is in effect.

# Disclosure Concerning Sales of Variable Rate Demand Bonds by Remarketing Agent

The Remarketing Agent is Paid by the Authority. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2008 Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2008 Bonds.

The Remarketing Agent Routinely Purchases Series 2008 Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2008 Bonds for its own account and, in its sole discretion, routinely acquires such tendered Series 2008 Bonds in order to achieve a successful remarketing of the Series 2008 Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2008 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2008 Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2008 Bonds by routinely purchasing and selling Series 2008 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2008 Bonds. The Remarketing Agent may also sell any Series 2008 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2008 Bonds. The purchase of Series 2008 Bonds by the Remarketing Agent may cause the interest rate to be lower than it would be if the Remarketing Agent did not purchase Series 2008 Bonds and may create the appearance that there is greater third party demand for the Series 2008 Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2008 Bonds being tendered in a remarketing.

Series 2008 Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2008 Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Series 2008 Bonds (including whether the Remarketing Agent is willing to purchase Series 2008 Bonds for its own account). The purchase of the Series 2008 Bonds by the Remarketing Agent may cause the interest rate to be lower than it would be if the Remarketing Agent did not purchase Series 2008 Bonds. There may or may not be Series 2008 Bonds tendered and remarketed on a rate determination date, the Remarketing Agent may or may not be able to remarket any Series 2008 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2008 Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2008 Bonds at the remarketing price. The Remarketing Agent, in its sole discretion, may offer Series 2008 Bonds on any date, including the rate determination date, at a discount to par to some investors.

The Ability to Sell the Series 2008 Bonds other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell Series 2008 Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Series 2008 Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series 2008 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2008 Bonds other than by tendering the Series 2008 Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Series 2008 Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee is required to apply to a court of competent jurisdiction for appointment of a successor Remarketing Agent.

### SECURITY FOR THE SERIES 2008 BONDS

#### General

The Series 2008 Bonds are special limited obligations of the Authority payable solely from and secured solely by a pledge of Authority Revenues. Authority Revenues principally consist of certain payments made by the Participants pursuant to the Funding Agreement. See "Funding Agreement" below. Under the Indenture, the Authority assigns to the Trustee, for the benefit of the Owners of the Series 2008 Bonds, the Credit Provider and the

Counterparty, the Authority Revenues which are required to be in an amount sufficient to pay the principal or Redemption Price of and interest on the Series 2008 Bonds, any Parity Bonds and the payments of amounts owing to the Credit Provider pursuant to the Reimbursement Agreement in any Fiscal Year, together with all moneys on deposit in the 2008 Debt Service Fund, and such Authority Revenues are irrevocably pledged to the punctual payment of the principal or Redemption Price of and interest on the Series 2008 Bonds, any Parity Bonds and the payments of amounts owing to the Credit Provider pursuant to the Reimbursement Agreement. The Authority Revenues are not permitted to be used for any other purpose while any of the Series 2008 Bonds remain Outstanding, except that out of the Authority Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by the Indenture.

While the Series 2008 Bonds bear interest at Weekly Rates or Daily Rates, the principal of and interest on the Series 2008 Bonds and the purchase price of Series 2008 Bonds tendered or deemed tendered for purchase and not remarketed are to be paid with proceeds of drawings to be made by the Trustee under the Letter of Credit to be issued by the Credit Provider. The Letter of Credit is stated to expire on April 10, 2011, unless extended or terminated earlier, and may be replaced by an Alternate Credit Facility. See "LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" below. In certain circumstances, the Credit Provider may cause an acceleration of the Series 2008 Bonds. See "LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" below and APPENDICES D and E attached hereto. PROSPECTIVE INVESTORS SHOULD NOT EXPECT THE AUTHORITY OR THE PARTICIPANTS TO BE ABLE TO PAY DIRECTLY THE PRINCIPAL OR REDEMPTION OR PURCHASE PRICE OF THE SERIES 2008 BONDS OR THE INTEREST ON THE SERIES 2008 BONDS AS SUCH PAYMENTS BECOME DUE. ACCORDINGLY, THE INVESTMENT DECISION TO PURCHASE THE SERIES 2008 BONDS SHOULD BE MADE SOLELY ON THE BASIS OF THE CREDITWORTHINESS OF THE CREDIT PROVIDERS. SEE "LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" BELOW AND APPENDICES D AND E ATTACHED HERETO. THE OBLIGATION OF EACH OF THE CREDIT PROVIDERS UNDER THE LETTER OF CREDIT IS A SEVERAL AND NOT JOINT OBLIGATION. UNDER THE TERMS OF THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT, THERE IS NO OBLIGATION ON ANY OF THE CREDIT PROVIDERS TO ASSUME ANY LETTER OF CREDIT OBLIGATIONS OF ANY OTHER CREDIT PROVIDER IF ANY CREDIT PROVIDER IS UNWILLING OR UNABLE TO HONOR ITS OBLIGATIONS UNDER THE LETTER OF CREDIT. UNDER THE TERMS OF THE LETTER OF CREDIT, IN RESPECT OF EACH DRAWING MADE UNDER AND IN COMPLIANCE WITH THE TERMS OF THE LETTER OF CREDIT, EACH CREDIT PROVIDER SHALL BE LIABLE FOR HONORING SUCH DRAWING ONLY TO THE EXTENT OF THE FOLLOWING RESPECTIVE PERCENTAGES: STATE STREET: 75% AND CALSTRS: 25%. SEE "LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" HEREIN AND APPENDICES D AND E ATTACHED HERETO.

#### Flow of Funds Under The Indenture

The Authority will agree in the Indenture to deposit all the Authority Revenues received by it into the South Placer Wastewater Authority Wastewater Revenue Bonds 2008 Debt Service Fund (the "2008 Debt Service Fund") to be held in trust by the Trustee. The Trustee will agree in the Indenture to hold and maintain the Debt Service Fund and a Redemption Account therein. Amounts held in the 2008 Debt Service Fund are required to be credited towards amounts due and payable on the Series 2008 Bonds to the respective Owners of the 2008 Bonds, for reimbursement to the Credit Provider for draws on the Credit Facility used for the payment of the interest on and principal of the Series 2008 Bonds, and, so long as the Swap Agreement is in effect, on the Swap Periodic Payments and are required to be applied as set forth in the Indenture. The Authority will transfer to the Trustee such amounts as are due on the Series 2008 Bonds to the respective Owners of the 2008 Bonds, for reimbursement to the Credit Provider for draws on the Credit Facility used for the payment of the interest on and principal of the Series 2008 Bonds or the Swap Agreement, as applicable, prior to the due date. In the event the Credit Provider fails to allow a draw under the Credit Facility for any reason, the moneys in the 2008 Debt Service Fund shall be used for direct payment of the Series 2008 Bonds as provided below.

Notwithstanding the following provisions, so long as the Trustee draws on the Credit Facility for payments of principal and interest on the Series 2008 Bonds, such principal and interest shall be paid from the 2008 Credit

Facility Account and amounts in the 2008 Debt Service Fund shall first be used to reimburse the Credit Provider for draws on the Credit Facility used to pay such principal and interest.

The Trustee will withdraw from the 2008 Debt Service Fund, on or prior to each Interest Payment Date, an amount equal to the Interest Requirement payable on such Interest Payment Date, and will cause the same to be applied to the payment of said interest when due and is authorized under the Indenture to apply the same to the payment of such interest by check or draft (or by wire transfer, as the case may be).

- (i) So long as the Swap Agreement is in effect, the Authority is required to notify the Trustee, prior to the date any Swap Periodic Payment is to be made, of the amount of the Swap Periodic Payment next becoming due. If the Swap Periodic Payment is a payment to be made from the Swap Counterparty to the Authority, the Authority is required to either cause such payment to be made to the Trustee or forward such payment to the Trustee promptly upon receipt and the Trustee will deposit such amount in the 2008 Debt Service Fund. If the Swap Periodic Payment is a payment to be made from the Authority to the Swap Counterparty, the Trustee is required, upon receipt of the notice from the Authority or Swap Counterparty, give written notification to the Authority of the "Payment Amount" which is the amount of Authority Revenues needed to be deposited with the Trustee to pay amounts payable to the Swap Counterparty, calculated as the amount of the Swap Periodic Payment less any amount available in the 2008 Debt Service Fund for application as a credit against such amount. Upon receipt of such notification, the Authority is required to forward the Payment Amount to the Trustee for deposit in the 2008 Debt Service Fund. The Trustee is required to withdraw from the 2008 Debt Service Fund, at such time as directed by the Authority but in any event on or prior to the due date of each Swap Periodic Payment, the amount of such Swap Periodic Payment, and such amount is required to be paid by the Trustee to the Swap Counterparty on or prior to the applicable due date of the Swap Periodic Payment.
- (ii) As to any Series 2008 Bonds for which no Swap Agreement is in effect, if any Interest Rate Calculation Date will occur between the date of computation and the next succeeding Interest Payment Date, the Trustee will assume that the interest rate applicable for the days from such Interest Rate Calculation Date to such Interest Payment Date will be the rate then in effect, plus 100 basis points. At least 15 days prior to the beginning of each calendar month, the Trustee is required to send written notification to the Authority, which notification will indicate the "Payment Amount" which is the amount of Authority Revenues needed to be deposited with the Trustee to pay amounts becoming due on the Bonds during the next calendar month, less any amount available for application as a credit against such amount.

The Trustee will withdraw from the 2008 Debt Service Fund, on or prior to each Principal Payment Date, an amount equal to the principal amount of the Outstanding Serial Series 2008 Bonds, if any, maturing on said Principal Payment Date and any Sinking Fund Installments due and payable on said Principal Payment Date, and will cause the same to be applied to the payment of the principal of said Series 2008 Bonds when due and is authorized to apply the same to such payment upon presentation and surrender of the Series 2008 Bonds as they become due and payable.

All withdrawals and transfers under the above provisions will be made not earlier than one Business Day prior to the Interest Payment Date or Principal Payment Date to which they relate, and the amount withdrawn or transferred will, for the purposes of the Indenture, be deemed to remain in and be part of the appropriate account until such Interest Payment Date or Principal Payment Date.

All interest earnings and profits or losses on the investment of amounts in the 2008 Debt Service Fund shall be deposited in or charged to the 2008 Debt Service Fund and applied to the purposes thereof.

Following the deposit and application of Authority Revenues described in subsection (i) and (ii) above and payment to the Credit Provider of any amounts owed as a result of drawing on the Credit Facility, the remaining Authority Revenues in the 2008 Debt Service Fund shall be released from the lien of the Indenture and shall be available for any lawful purpose of the Authority.

# **Reserve Account**

The Indenture provides for the funding of the Reserve Account and a separate respective Series 2008A Subaccount and Series 2008B Subaccount upon the issuance of the Series 2008 Bonds in an amount equal to the Reserve Requirement. The initial Reserve Requirement with respect to the Series 2008A Bonds is equal to \$6,174,179.74 and will be funded with Series 2008A Bond proceeds and amounts released from the Series 2000B Bond reserve account. The initial Reserve Requirement with respect to the Series 2008B Bonds is equal to \$4,484,900.90 and will be funded with amounts released from the Series 2003 Bond reserve account. Each subaccount shall be initially funded in an aggregate amount equal to the Reserve Requirement applicable to each Series of 2008 Bonds, as set forth in the Indenture. An amount equal to the Reserve Requirement in the form of either: (i) cash or Permitted Investments; or (ii) a Reserve Account Credit Instrument for the account of the Reserve Account, shall be maintained in each respective subaccount of the Reserve Account at all times. Any deficiency in the Reserve Account shall be replenished from: (1) amounts paid by the Authority to the Trustee resulting from a late payment by a Participant under the Funding Agreement; and (2) amounts paid by the Authority to the Trustee from payments made by the Participants under the Funding Agreement as a result of a deficiency in the 2008 Reserve Account caused by investment losses on Permitted Investments held in the 2008 Reserve Account.

Under the Funding Agreement, the Participants agree that if amounts in the Reserve Account fall below the Reserve Requirement by reason of loss of value of Permitted Investments then on hand in the Reserve Account, the Participants will make up such loss, from Participants' Net Revenues. An Individual Participant is not obligated to replenish the Reserve Account if it has been depleted to make a payment on the Series 2008 Bonds as a result of another Participant's failure to make its payments under the Funding Agreement. In such case, the Reserve Account will be replenished solely by depositing to the Reserve Account the late payment made by the Participant which caused said draw on the Reserve Account.

"Reserve Requirement" is defined in the Indenture to mean an amount, as to each Series of 2008 Bonds calculated independently, equal to the least of (i) the Maximum Annual Debt Service on the Outstanding Series 2008 Bonds of such Series, (ii) 10% of the proceeds of the Series 2008 Bonds of such Series, (iii) 125% of the average annual Debt Service on Outstanding Series 2008 Bonds of such Series, or (iv) as to the Series 2008A Bonds \$6,174,179.74, and as to the Series 2008B Bonds, \$4,484,900.90; and as to any Series of Parity Bonds other than the Series 2008 Bonds, the least of (i) the Maximum Annual Debt Service on the Outstanding bonds of such Series, (ii) 10% of the proceeds of the bonds of such Series, (iii) 125% of the average annual Debt Service on Outstanding bonds of such Series; provided, that in no event shall the Authority, in connection with the issuance of additional bonds pursuant to a supplement to the Indenture, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Internal Revenue Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit.

The Authority may satisfy its obligation to deposit the Reserve Requirement in the Reserve Account by the deposit of a surety bond, insurance policy or letter of credit (a "Reserve Account Credit Instrument") as set forth in the Indenture.

# **Outstanding Parity Obligations**

Upon delivery of the Series 2008 Bonds, the Series 2008 Bonds will be secured on a parity with amounts owed by the Authority to the Credit Provider under the Reimbursement Agreement and the Swap Agreement.

# **Interest Rate Exchange Agreement**

In connection with the issuance of the Series 2003 Bonds, the Authority entered into the Swap Agreement with the Counterparty. It is intended that such Swap Agreement will be amended in connection with the issuance of the Series 2008B Bonds, as described above. See "PLAN OF FINANCING – Interest Rate Exchange Agreement" herein.

# **Additional Parity Obligations**

In addition to the Series 2008 Bonds, the Authority may, under a Parity Bonds Instrument, issue or incur Parity Bonds and other loans, advances or indebtedness payable from the Revenues, to provide financing for the Project and the Regional Wastewater Facilities, in such principal amount as will be determined by the Authority. Issuance of Parity Bonds is subject to the following conditions under the Indenture, provided however that the condition described in subsection (b) below shall not be applicable to such Parity Bonds which are issued for the purpose of refunding all or a portion of the Series 2008 Bonds or other Parity Bonds:

- (a) The Authority will be materially in compliance with all covenants set forth in the Indenture.
- (b) Each of the Participant's Net Revenues, calculated on sound accounting principles, as shown by the books of the Participants for the latest Fiscal Year or any more recent 12 month period selected by each Participant ending not more than 90 days prior to the adoption of the Parity Bonds Instrument pursuant to which such Parity Bonds are issued, as shown by the books of the Participants, plus, at the option of any Participant, any or all of the items designated in the following paragraph, will at least equal 110% of the sum of: (1) their Proportionate Share of Maximum Annual Debt Service, calculated in accordance with the Funding Agreement, with Maximum Annual Debt Service calculated on all Parity Bonds to be Outstanding immediately subsequent to the issuance of such Parity Bonds which have a lien on the Authority Revenues, plus (2) Maximum Annual Debt Service on all Obligations which have a parity lien on each Participant's Net Revenues.

The items which may be added to such Participant's Net Revenues for the purpose of issuing or incurring Parity Bonds under the Indenture are: (1) an allowance for earnings arising from each Participant's Net Revenues resulting from any increase in the User Charges which has become effective prior to the incurring of such Parity Bonds but which, during all or any part of such Fiscal Year or such 12 month period, was not in effect, in an amount equal to the amount by which the Participant's Net Revenues would have been increased if such increase in Charges had been in effect during the whole of such Fiscal Year or such 12 month period, all as shown in the written report of an Independent Consultant engaged by the applicable Participant; and (2) an allowance for Participant Net Revenues from any additions or improvements to or extensions of a Participant System to be financed from the proceeds of such Participant's Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12 month period selected by a Participant were not in service, all in an amount equal to 75% of the estimated additional average annual Participant Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Participant; (3) Regional Connection Fees collected by the Participants, in an amount equal to the greater of (i) Regional Connection Fees collected by such Participant in the prior 12 months; or (ii) the average annual amount of Regional Connection Fees collected by such Participant during the prior 36 months; and (4) Available Local Connection Fees collected by the Participants, in an amount equal to the greater of: (a) Available Local Connection Fees collected by such Participant in the prior 12 months; or (b) the average annual amount of Available Local Connection Fees collected by such Participant during the prior 36 months.

For purposes of the calculations made under the Indenture, Participants' Net Revenues will <u>not</u> include any draws made by the Authority from the Rate Stabilization Fund to pay Debt Service on any Parity Bonds.

The Authority may, in connection with the issuance of Parity Bonds, enter into: (i) a reimbursement agreement (a "Reimbursement Agreement") with a bank or financial institution (in either case, the "Credit Provider") which provides a Credit Facility to provide credit enhancement or liquidity for Parity Bonds; or (ii) a financial arrangement commonly referred to as an interest rate swap agreement, and pledge Revenues to repay the Credit Provider or counterparty under the Swap Agreement. Said pledge of Revenues to repay the Credit Provider or swap counterparty may be on a parity with the 2008 Bonds and any other Parity Bonds issued or to be issued by the Authority, and such reimbursement agreement or swap agreement will be treated as a Parity Bond under the Indenture.

# **Funding Agreement**

#### General.

The purpose and intent of the Funding Agreement is (1) to provide for the general allocation of Capital Costs among the Participants, (2) to provide for the allocation of the Participants' individual financial responsibility for the payment of Debt Service, (3) to provide for the Participants' use of the additional wastewater treatment capacity provided by the construction of new Regional Wastewater Facilities and (4) to provide assurance to the purchasers of the Series 2008 Bonds and any Parity Bonds regarding the availability of Participant Net Revenues for the payment of Debt Service. Certain of the provisions of the Funding Agreement are described below.

# Pledge and Application of Participant Net Revenues.

Under the Funding Agreement, each Participant irrevocably pledges, charges and assigns to the Trustee, to assure the punctual payment of its Proportionate Share of Debt Service, all of its Participant Net Revenues and, except as otherwise may be permitted under the applicable Bond Documents, the Participant Net Revenues will not be used for any other purpose so long as any of its Proportionate Share of Debt Service remains unpaid. Such pledge, charge and assignment will constitute a senior lien on the Participant Net Revenues for the payment of each Participant's Proportionate Share of Debt Service in accordance with the terms of the Funding Agreement. To the extent a Participant's Proportionate Share of Debt Service is not paid in full from the Aggregate Rate Stabilization Fund Draw prior to any Interest Payment Date, such Participant will, on or before such Interest Payment Date, make a payment directly to the Trustee for deposit to the Debt Service Fund from its Participant Net Revenues to make up such deficiency.

The Funding Agreement defines "Net Revenues," with respect to each Participant as such Participant's Gross Revenues less such Participant's Operation and Maintenance Costs, for any period of calculation. "Gross Revenues" is defined by the Funding Agreement as all amounts received for, arising from and all other income and revenues derived by a Participant from, the ownership or operation of such Participant's System and such Participant's use of Regional Wastewater Facilities, excluding Regional Connection Fees and Local Connection Fees other than Available Local Connection Fees. "Participant Operation and Maintenance Costs" is defined by the Funding Agreement as for any given period, the reasonable and necessary costs (both direct and incidental) of operating and maintaining the facilities which comprise a Participant's System during such period, as well as the Participant's share of Regional Operation and Maintenance Costs, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any), labor, materials, water, electricity, natural gas, chemicals, employee bonds, vehicles, communications equipment, preventive maintenance, sludge disposal, environmental remediation, engineering services, analytical testing services, rents, right-of-way charges, recycled water operations costs, legal judgments and assessments, other support services, and other similar costs, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, debt service and amortization of intangibles or other book-keeping entries of a similar nature. "Local Connection Fees" is defined under the Funding Agreement as connection fees imposed and collected by a Participant pursuant to applicable provisions of the Roseville Municipal Code, SPMUD ordinances, or Placer County ordinances, as applicable, for the purpose of funding expansion or modifications of, and/or improvements to, the Participant's System. "Available Local Connection Fees" is defined under the Funding Agreement as Local Connection Fees that may be used to pay Debt Service.

Deposit of Gross Revenues Into Enterprise Funds; Transfers to Make Payments. Each Participant deposits its Gross Revenues immediately upon receipt, in its Enterprise Fund. Each Participant pays out of Gross Revenues the Participant Operation and Maintenance Costs. Each Participant covenants that all Participant Net Revenues will be held by such Participant in such Participant's Enterprise Fund in trust for the benefit of the Trustee and the owners of Bonds. In addition to the payment of such Participant's Proportionate Share of Debt Service, Participant Net Revenues will be applied to pay the amount of such Participant's Proportionate Share of any deficiency in the Reserve Fund caused by investment losses on investments held in the Reserve Fund, the notice of which deficiency will have been given by the Trustee to the Authority pursuant to the Indenture or any Parity Bonds Instrument.

Other Uses of Participant Net Revenues Permitted. The Participants will manage, conserve, and apply the Participant Net Revenues on deposit in their respective Enterprise Funds in such a manner that all deposits required to be made pursuant to the Funding Agreement and described in the preceding paragraph are made at the times and in the amounts so required. Subject to the foregoing sentence, each Participant may use and apply monies in its Enterprise Fund for any other lawful purposes, so long as no Event of Default has occurred and is continuing with respect to that Participant's obligations under the Funding Agreement.

Budget and Appropriation of Proportionate Share of Debt Service. During the term of the Funding Agreement, for each current Fiscal Year, each Participant will adopt all necessary budgets and make all necessary appropriations of Rate Covenant Debt Service, from Participant Net Revenues, and will furnish to the Trustee a certificate stating that the amount of Rate Covenant Debt Service to be paid from Participant Net Revenues has been included in the final budget of such Participant for such current Fiscal Year. Such certificate for any Fiscal Year will be filed with the Trustee not later than September 1 in such Fiscal Year. In the event any Rate Covenant Debt Service payment requires the adoption by a Participant of any supplemental budget or appropriation, such Participant will promptly adopt the same.

# **Determination of Participant's Proportionate Shares.**

Initially, each Participant's Proportionate Share shall be 54.17% for Roseville; 25.00% for SPMUD; and 20.83% for Placer County (the "Initial Percentages"). The Initial Percentages may be revised according to the terms of the Funding Agreement.

# Rate Stabilization Fund; Regional Connection Fees.

The Rate Stabilization Fund has been established and maintained by Roseville on behalf of the Authority. The Rate Stabilization Fund is held as one fund, with three separate accounts therein (one for each Participant), all of which, collectively, constitute the Rate Stabilization Fund.

The Rate Stabilization Fund is used to pay: (1) Debt Service; (2) Bond Redemptions; (3) Capital Costs; (4) reimbursement to a Participant of funds, other than Regional Connection Fees, deposited by such Participant into the Debt Service Fund, the Reserve Account, and the Rate Stabilization Fund, except to the extent such reimbursement would cause the balance of such Participant's account within the Rate Stabilization Fund to fall below its Sub-Minimum Level; (5) administrative and other expenses incurred by the Authority; and (6) any other legal expenditures.

It is the intent of the Participants that the Regional Connection Fees collected will be sufficient (i) to pay all Debt Service, (ii) to keep the Rate Stabilization Fund at or above the Minimum Level, (iii) to provide monies for additional expansions or modifications of, or improvements to, Regional Wastewater Facilities, and (iv) to meet state and federal regulatory requirements.

The Authority, through the Regional Connection Fee recommendation process set forth in the Funding Agreement, attempts to maintain the Rate Stabilization Fund balance at or above the Minimum Level. Draws on the Rate Stabilization Fund may not cause the funds therein to fall below the Minimum Level, except as expressly provided in the Funding Agreement.

# Additional Regional Wastewater Facilities.

Pursuant to the provisions of the Funding Agreement, Regional Connection Fees and other amounts in the Rate Stabilization Fund may also be used by the Authority to fund other expansions or modifications of, or improvements to, Regional Wastewater Facilities, subject to the prior written agreement of the Authority; provided, however, that at the time a decision is made to so use Regional Connection Fees, the Authority will reasonably determine the amounts to be withdrawn from each Participant's account within the Rate Stabilization Fund so as to give effect to the principle that the Participants' respective contributions to Capital Costs should be proportional to their usage of the wastewater treatment capacity made available by the construction of such Regional Wastewater Facilities.

Notwithstanding the foregoing, when the average daily inflows to the Dry Creek Plant or Pleasant Grove Plant reach 75% of actual total capacity of either plant, respectively, Roseville will begin the planning and design of the next expansion of the Pleasant Grove Plant or Dry Creek Plant, as appropriate. The payment of the cost of such planning, permitting and design will be made from the Regional Connection Fees on deposit in the Rate Stabilization Fund.

# Maintenance and Use of Credit Facility

When the Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility, the Trustee shall immediately surrender the Credit Facility to the Credit Provider. The Trustee shall draw moneys under the Credit Facility in accordance with the terms thereof in an amount necessary to make full and timely payments of (i) principal of and interest on and Redemption Price of the Series 2008 Bonds (other than Bank Bonds) during the Daily Rate Period, Weekly Rate Period or Commercial Paper Rate Period or when due at maturity, redemption or acceleration and (ii) Purchase Price required to be made pursuant hereto. If at any time there shall have been delivered to the Trustee an Alternate Credit Facility meeting the requirements of the Indenture, then the Trustee shall accept such Alternate Credit Facility, draw on the existing Credit Facility to the extent required pursuant to the provisions thereof and of the Indenture for payment of the Purchase Price, and after such draw has been honored, surrender the existing Credit Facility to the Credit Provider, in accordance with the terms of such Credit Facility, for cancellation. The existing Credit Facility shall be returned to the Credit Provider only after the Credit Provider has honored any draws required to pay the Purchase Price in accordance with the terms of the Indenture.

If at any time there ceases to be any Series 2008 Bonds Outstanding under the Indenture, the Trustee shall promptly surrender the Credit Facility to the Credit Provider, in accordance with the terms of the Credit Facility, for cancellation. The Trustee shall comply with the procedures set forth in the Credit Facility relating to the termination thereof

#### **Alternate Credit Facility**

During any Interest Rate Mode other than the Auction Rate or the Long-Term Rate, the Authority shall maintain or cause to be maintained the Credit Facility or an Alternate Credit Facility.

The Authority has the option, which can be exercised at any time, to provide for the delivery of an Alternate Credit Facility. Unless the Series 2008 Bonds are to be converted to an Auction Rate or a Long-term Rate, prior to the expiration or termination of an existing Credit Facility the Authority is required to provide for the delivery of an Alternate Credit Facility. An Alternate Credit Facility shall be (i) an irrevocable letter of credit or other irrevocable credit facility, (ii) issued by a commercial bank, savings institution or other financial institution, and (iii) the terms of which shall, to the extent dictated by the terms of the Series 2008 Bonds, be the same as or similar to the existing Credit Facility; provided, that the expiration date of such Alternate Credit Facility shall be a date not earlier than one year from its date of issuance (subject to earlier termination upon payment of all 2008 Bonds in full or provision for such payment in accordance with the Indenture).

The procedures and requirements for providing an Alternate Credit Facility are:

- (1) at least 25 days prior to the expiration of the existing Credit Facility, the Authority shall cause to be provided to the Trustee:
- (a) a draft of a Favorable Opinion of Bond Counsel (a signed opinion shall be delivered on and dated the effective date of the Alternate Credit Facility),
- (b) a draft of an opinion of counsel to the provider of the Alternate Credit Facility to the effect that such Alternate Credit Facility is enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary

equitable remedies, (a signed opinion shall be delivered on and dated the effective date of the Alternate Credit Facility), and

(2) actual delivery to the Trustee of an Alternate Credit Facility, together with executed copies of the legal opinions described in subsections (1)(a) and (1)(b) above, shall be made on a Business Day at least 5 days prior to the expiration date of an existing Credit Facility.

Whenever the Authority has delivered to the Trustee notice of delivery of an Alternate Credit Facility, the Trustee shall mail a notice to all Owners of the Series 2008 Bonds, with a copy to the Credit Provider, stating: (i) the name of the issuer of the Alternate Credit Facility, (ii) the date on which the Alternate Credit Facility will become effective, (iii) the rating expected to apply to the Series 2008 Bonds after the Alternate Credit Facility is delivered, and (iv) that such Series 2008 Bonds will be subject to mandatory tender for purchase on the effective date of the Alternate Credit Facility. Such notice shall be mailed at least 15 days prior to the effective date of the Alternate Credit Facility.

#### LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

#### The Letter of Credit

The Letter of Credit shall be an obligation of the Credit Providers to pay to the Trustee or Tender Agent, as applicable, on request made with respect to the Series 2008 Bonds and in accordance with the terms thereof, up to the Stated Amount under the Letter of Credit. The Stated Amount under the Letter of Credit on the date of delivery of the Bonds shall be \$73,314,456 (representing \$72,504,000 available to pay principal of the Series 2008A Bonds and \$810,456 available to pay up to 34 days' of interest on the Series 2008A Bonds at a rate of 12% per annum on the basis of a 365/366-day year) and \$93,887,885 (representing \$92,850,000 available to pay principal of the Series 2008B Bonds and \$1,037,885 available to pay up to 34 days' of interest on the Series 2008B Bonds at a rate of 12% per annum on the basis of a 365/366-day year). The Letter of Credit shall expire on April 10, 2011 (the "Letter of Credit Expiration Date"), unless terminated earlier in accordance with the provisions thereof or unless otherwise extended.

# **The Reimbursement Agreement**

The Reimbursement Agreement and any other agreements securing the Authority's obligation to reimburse the Credit Providers do not secure the Trustee, the Owners or the Series 2008 Bonds.

**Events of Default.** Each of the following events shall constitute an "Event of Default" under the Reimbursement Agreement.

- (a) The Authority shall (i) fail to pay any amount due as a reimbursement to the Credit Providers under the Reimbursement Agreement or under any Series 2008 Bonds (other than due to a failure of the Credit Providers to pay appropriate draws under the Letter of Credit) when the same shall become due and payable or (ii) fail to pay any other amount payable under the Reimbursement Agreement within two (2) Business Days of written demand therefor by the Credit Provider.
- (b) Any representation, warranty, certification or statement made by the Authority in the Reimbursement Agreement or in any Related Document or in any certificate, financial statement or other document delivered pursuant to the Reimbursement Agreement or any Related Document shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made. "Related Documents" mean the Reimbursement Agreement, the Letter of Credit, the Custody Agreement, the Indenture, the Funding Agreement, the Official Statement, the Remarketing Agreement, the Bond Purchase Agreement, the Tax Certificate, and any documents related thereto or to the Series 2008 Bonds.
- (c) The Authority shall default in the due performance or observance of certain terms, covenants or agreements contained in the Reimbursement Agreement including those relating to payment obligations, certain

amendments to documents without Credit Provider consent, tax matters, maintenance of approvals, certain redemptions or conversions, compliance with law, and additional debt.

- (d) The Authority shall default in the due performance or observance of any term, covenant or agreement contained in the Reimbursement Agreement (other than those covered by clause (a) or (c) above) and such default, if capable of being remedied, shall remain unremedied for thirty (30) days after written notice thereof shall have been given to the Authority by the Credit Provider.
- (e) (i) The Reimbursement Agreement, the Indenture, the Series 2008 Bonds or any material provision of the Reimbursement Agreement or thereof, at any time after its issuance or execution and delivery, shall, for any reason, cease to be valid and binding on the Authority or in full force and effect or be declared to be null and void by a final non-appealable judgment of a court of competent jurisdiction, or the validity or enforceability of any such document or provision shall be contested by the Authority or the Authority shall deny that it has any or further liability or obligation under any such document or (ii) any other Related Document or any material provision thereof, at any time after its execution and delivery shall, for any reason, cease to be valid and binding on the Authority or in full force and effect or be declared to be null and void, or the validity or enforceability of any such document or provision shall be contested by any governmental agency or authority having jurisdiction over the Authority; unless with respect to clause (ii) above, the same is being contested by the Authority in good faith and by appropriate proceedings or, under no circumstances will such invalidity or unenforceability have an adverse impact on the ability of the Authority to perform its obligations under the Reimbursement Agreement or under the Series 2008 Bonds or the Indenture.
- (f) The Authority shall become insolvent or admit in writing its inability to pay its debts as they mature or shall declare a moratorium on the payment of its debts or apply for, consent to or acquiesce in the appointment of a trustee, custodian, liquidator or receiver for itself or any substantial part of its property, or shall take any action to authorize or effect any of the foregoing; or in the absence of any such application, consent or acquiescence, a trustee, custodian, liquidator or receiver shall be appointed for it for a substantial part of its property or revenues and shall not be discharged within a period of sixty days; or the State or any other governmental authority having jurisdiction over the Authority or the Regional Wastewater System imposes a moratorium, debt restructuring, or comparable restriction on repayment when due and payable of the principal of or interest on any debt by the Authority, or the property or System of the Authority shall be condemned, seized, or otherwise appropriated, if such condemnation, seizure or appropriation could have a material adverse effect on the ability of the Authority to perform its obligations under the Reimbursement Agreement or under the Bank Bonds, or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against the Authority, in respect of the Authority (or any action shall be taken to authorize or effect the institution by it of any of the foregoing) and if instituted against it, shall be consented to or acquiesced by it, or shall not be dismissed within a period of 60 days.
- (g) Any pledge or security interest created by the Indenture, or the Reimbursement Agreement to secure any amount due under any Parity Bonds, the Series 2008 Bonds or the Reimbursement Agreement shall fail to be fully perfected and enforceable with the priority required under the Reimbursement Agreement, the Indenture, as the case may be, by reason of a final, non-appealable judgment of a court of competent jurisdiction.
- (h) The Authority shall default in the due performance or observance of any material term, covenant or agreement contained in the Indenture or any Related Document and the same shall not have been cured within any applicable cure period.
- (i) The Authority shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) the principal of, premium on or interest on any Parity Bonds (other than the Bonds), or any other Debt secured by a Lien on Revenues which Lien ranks senior to or on parity with the Lien on Revenues securing the Bonds, and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning such Parity Bonds or Debt.

"Debt" of any Person shall mean, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles (or, in the case of the Authority, generally accepted accounting principles), (v) all obligations of such Person to purchase securities (or other property) which arise out of or in connection with the sale of the same or substantially similar securities or property, (vi) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vii) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (viii) all Debt of others Guaranteed by such Person.

"Guarantee" by any Person shall mean any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Lien" shall mean, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Person" shall mean any individual, partnership, firm, corporation, association, joint venture, trust or other entity, or any government (or political subdivision or agency, department or instrumentality thereof).

- (j) A final and non-appealable judgment or court order for the payment of money in excess of \$10 million shall be rendered against the Authority, and such judgment or court order shall continue unsatisfied and in effect for a period of one hundred and eighty (180) consecutive days without being vacated, discharged or satisfied.
- (k) Any of the funds on deposit in, or otherwise to the credit of, any of the funds or accounts established under the Indenture shall become subject to any writ, warrant or attachment, execution or similar process.

**Rights and Remedies Upon Default.** Upon the occurrence and continuance of an Event of Default, the Credit Providers may, in their sole discretion, but shall not be obligated to:

- (a) notify the Trustee pursuant to the Indenture to effect the mandatory tender and purchase of the Bonds and terminate the Letter of Credit seven (7) days after the Trustee's receipt of such notice;
- (b) cure any default, event of default or nonperformance by the Authority under the Reimbursement Agreement, the Indenture or under any of the Related Documents (in which event the Authority shall reimburse the Credit Providers therefor); or
- (c) exercise any or all rights provided or permitted by law or granted pursuant to any of the Related Documents in such order and in such manner as the Credit Providers may, in their sole judgment, determine.

The rights and remedies of the Credit Providers specified in the Reimbursement Agreement are for the sole and exclusive benefit, use and protection of the Credit Providers, and the Credit Providers are entitled, but shall have no duty or obligation to the Authority, the Trustee, the Bondowners or otherwise, (i) to exercise or to refrain from exercising any right or remedy reserved to the Credit Providers under the Reimbursement Agreement, or (ii) to cause the Trustee or any other party to exercise or to refrain from exercising any right or remedy available to it under any of the Related Documents.

In addition to the foregoing, if the Authority grants any Person holding any Debt of the Authority the right of acceleration of such Debt exercisable upon the occurrence of an event of default with respect to such Debt, the Credit Providers, in their sole discretion, may, upon the occurrence and continuation of an Event of Default by notice to the Authority and the Trustee, declare the obligations of the Authority under the Reimbursement Agreement to be immediately due and payable in which event such obligations shall become immediately due and payable.

# SOUTH PLACER WASTEWATER AUTHORITY

The Authority was created pursuant to a Joint Exercise of Powers Agreement for the South Placer Wastewater Authority effective October 1, 2000 (the "Joint Powers Agreement" or the "JPA") among the Participants. The JPA was entered into pursuant to the provisions of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Joint Exercise of Powers Act"). The Authority was created for the purpose of providing for the planning, financing, acquisition, ownership, construction and operation of the Regional Wastewater Facilities. The JPA may be amended at any time by the written agreement of all the parties thereto; provided, however that while the Series 2008 Bonds are outstanding, the JPA may not be amended if such action would (1) materially and adversely affect (A) the rating on the Parity Bonds or (B) the holders of the Parity Bonds or (2) limit or reduce the obligations of the parties thereto to make, in the aggregate, the payments under the Funding Agreement. In addition, no Participant is permitted to withdraw from the Authority until all bonds or other instruments of indebtedness issued by the Authority have been paid in full.

# **Governance and Management**

Pursuant to the JPA, the Authority is administered by a board of directors (the "Board") consisting of five directors. Two directors are appointed by the City, two directors are appointed by the County and one director is appointed by the District. One County-appointed director is required under the JPA to be a member of the County Board of Supervisors and represent a supervisorial district which includes all or a portion of the City. This director is also subject to confirmation by the City Council of the City. The members of the Board of Directors are listed on the inside cover of this Official Statement.

Pursuant to the Funding Agreement, the City will own and operate the Regional Wastewater Facilities.

#### THE REGIONAL WASTEWATER SYSTEM

# Service Area

The Regional Wastewater Facilities include the Dry Creek Plant and the Pleasant Grove Plant and related regional conveyance systems and any other regional treatment facilities constructed by the Authority or any of the Participants in the future to facilitate wastewater collection, conveyance, treatment, recycling, discharge and disposal services collectively for all of the Participants. The service area encompasses approximately 70 square miles which includes the wastewater service areas of Roseville, SPMUD and certain areas of Placer County.

The City is currently evaluating three potential annexations of approximately 4,800 acres adjacent to the northern and western boundaries of the city. Such annexations are currently being studied, and are subject to City Council approval. If these annexations take place, it is anticipated that the service area will be expanded by approximately 26,500 EDUs. These EDUs would be added to the Regional Wastewater System over a twenty year time frame and may begin as early as 2012.

# **Wastewater Generation and Treatment Requirements**

Wastewater from the northwestern portion of the Authority's service area is conveyed to, and treated at, the Pleasant Grove Plant, and wastewater from the southeastern portion of the Authority service area is conveyed to, and treated at, the Dry Creek Plant.

# **Existing Wastewater Treatment Flow**

The Dry Creek Plant has a rated capacity of 18.0 million gallons per day ("mgd") under average dry weather flow ("ADWF") conditions and plant modifications are currently underway to address changing influent loading conditions and anticipated more stringent discharge requirements. The peak flow capacity of the Dry Creek Plant is significantly greater than 18 mgd ADWF, and in fact existing peak flows to the plant during storm events frequently exceed 18 mgd. The Dry Creek Plant is designed to safely handle these peak flows.

The Pleasant Grove Plant has a rated capacity of 12.0 mgd under ADWF conditions and plant modifications are currently underway to address changing influent loading conditions and anticipated more stringent discharge requirements. The peak flow capacity of the Pleasant Grove Plant is significantly greater than 12 mgd ADWF, and in fact existing peak flows to the plant during storm events frequently exceed 12 mgd. The Pleasant Grove Plant is designed to safely handle these peak flows.

# **Existing Wastewater Facilities**

All wastewater from the Authority's service area is currently conveyed to and treated at either the Dry Creek Plant or the Pleasant Grove Plant. Effluent from the Dry Creek Plant is discharged into Dry Creek. The Dry Creek Plant was designed to produce an effluent that allows unrestricted reuse of the effluent. The current discharge permit for the Dry Creek Plant was adopted by the State Regional Water Quality Control Board (the "Regional Board") on June 16, 2000 and will remain in effect for a five-year period, or until the Regional Board renews the National Pollution Discharge Elimination System (NPDES). Effluent from the Pleasant Grove Plant is discharged into Pleasant Grove Creek. The Pleasant Grove Plant was designed to produce an effluent that allows unrestricted reuse of the effluent. The current discharge permit for the Pleasant Grove Plant was adopted by the Regional Board on March 17, 2000 and will remain in effect for a five-year period or until the Regional Board renews the NPDES permit. Regional Board action on both NPDES permits is expected in June 2008.

# **Additional Wastewater Facilities**

Depending on future demand, the Authority may expand capacity in future years at either the Pleasant Grove Plant or the Dry Creek Plant, or both, to meet the needs of its service area. The Authority may finance such expansion with one or more Authority Parity Bond issues. See "SECURITY FOR THE BONDS—Additional Parity Obligations."

# **Available System Capacity**

The total wastewater treatment capacity in the Authority's system is 30 mgd – 18 mgd at the Dry Creek Plant and 12 mgd at the Pleasant Grove Plant. Plant modifications are currently underway to address changing influent loading conditions and anticipated more stringent discharge requirements. As of June 30, 2007, the approximate daily treatment demands of the system were 17.1 million gallons. Both treatment plants in the Authority's system can be expanded to accommodate additional demands resulting from growth throughout the service area Growth estimates in the service area indicate that future treatment demands are approximately 32.5 mgd. See "Service Area" above.

# **Operations**

The City operates and maintains the Regional Wastewater Facilities for the mutual benefit of, and provides wastewater treatment services to, the Participants, so long as the Participants pay their proportionate share of the amounts required under the Funding Agreement and the Operations Agreement. Pursuant to the Operations Agreement, each Participant has the right to maintain connections between such Participant's System and the Regional Wastewater Facilities at all locations existing as of the date of the Operations Agreement and to establish new connections as needed, subject to the City's prior written approval of the location of such connection. The Operations Agreement also provides that each Participant's responsibility for Regional Operation and Maintenance Costs for the Regional Wastewater Facilities is based upon its Proportional Volumetric Share (defined as the

proportion of total yearly wastewater volume entering the Regional Wastewater Facilities that is attributable to such Participant).

#### THE PARTICIPANTS

The Participants consist of Roseville, SPMUD and Placer County. Pursuant to the Funding Agreement (see "SECURITY FOR THE SERIES 2008 BONDS—Funding Agreement") and the Operations Agreement, each of the Participants agrees to collect and forward to the Authority, its Regional Connection Fees, as well as its share of Regional Operation and Maintenance Costs.

# LIMITATIONS ON REMEDIES AND BANKRUPTCY

The rights and remedies provided in the Indenture and the Funding Agreement may be limited by and are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as APPENDIX B), will be similarly qualified.

The enforcement of the remedies provided in the Indenture and the Funding Agreement could prove both expensive and time consuming. In addition, the rights and remedies provided in the Indenture and the Funding Agreement may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. If a Participant were to file a petition under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), the Bondholders and the Trustee could be prohibited or severely restricted from taking any steps to enforce their rights under the Funding Agreement.

# **LITIGATION**

To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Authority (i) affecting the existence of the Authority or the titles of its officers to their respective offices, or (ii) affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Series 2008 Bonds, or (iii) contesting or affecting, as to the Authority, the validity or enforceability of the Series 2008 Bonds, the Funding Agreement, the Operations Agreement or the Indenture, or (iv) contesting the powers of the Authority to enter into, adopt or perform its obligations under any of the foregoing, or (v) wherein an unfavorable decision, ruling or finding would materially adversely affect the operations or finances of the Authority.

To the best knowledge of each Participant, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Participant (i) affecting the existence of the Participant or the titles of its officers to their respective offices, or (ii) contesting or affecting, as to the Participant, the validity or enforceability of the Joint Powers Agreement, or the Operations Agreement or (iii) contesting the powers of the Participant to enter into, adopt or perform its obligations under any of the foregoing, or (iv) wherein an unfavorable decision, ruling or finding would materially adversely affect the finances and operations of the Participant.

# **TAX MATTERS**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Series 2008 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2008 Bonds.

In the further opinion of Bond Counsel, interest on the Series 2008 Bonds is exempt from California personal income taxes.

Owners of the Series 2008 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Series 2008 Bonds other than as expressly described above.

# APPROVAL OF LEGALITY

The issuance of the Series 2008 Bonds is subject to the approving opinion of Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel, with respect to validity and tax exemption. Certain legal matters will be passed upon for the Authority by Miller, Owen & Trost, A Professional Corporation, Sacramento, California, for the Participants by their respective counsels, for the Underwriter by Orrick, Herrington & Sutcliffe LLP and for the Banks by Fulbright & Jaworski LLP.

#### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group, a division of the McGraw Hill Companies, Inc. ("S&P") have rated the Series 2008 Bonds "Aa1/VMIG 1" and "AA/A-1+," respectively, based upon the issuance of the Letter of Credit by the Credit Providers. Certain information was supplied by the Authority and the Participants to such rating agencies to be considered in evaluating the Series 2008 Bonds. The ratings reflect only the views of the rating agencies and any explanation of the significance of such ratings and any ratings on any of the Participant's outstanding obligations may be obtained only from such rating agencies as follows: Moody's Investors Service, 99 Church Street, New York, New York 10017; and Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or any of them, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the Series 2008 Bonds.

# FINANCIAL ADVISOR

Public Financial Management, Inc., Seattle, Washington, serves as financial advisor with respect to the issuance of the Series 2008 Bonds. Public Financial Management, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

# UNDERWRITING

Morgan Stanley & Co. Incorporated (the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2008A Bonds at a price of \$72,323,799.34 (representing \$72,504,000 aggregate principal amount of the Series 2008A Bonds, less \$180,200.66 of Underwriter's discount). The Purchase Contract provides that the Underwriter will purchase all the Series 2008A Bonds if any are purchased. The Underwriter has agreed, subject to certain conditions, to purchase the Series 2008B Bonds at a price of \$92,620,368.42 (representing \$92,850,000 aggregate principal amount of the Series 2008B Bonds, less \$229,631.58 of Underwriter's discount). The Purchase Contract provides that the Underwriter will purchase all the Series 2008 Bonds if any are purchased.

# **EXECUTION AND DELIVERY**

The execution a	and delivery	of this	Official	Statement	has	been	duly	authorized	by	the	Authority	and
approved by each of the I	Participants.											

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By:	/s/ Derrick Whitehead	
	Executive Director	

# APPENDIX A SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust not fully described elsewhere in the Official Statement. This summary is not intended to be definitive. Reference is made to the actual document (copies of which are available from the Authority) for the complete terms thereof.

See SECURITY FOR THE SERIES 2008 BONDS - General, - Flow of Funds Under the Indenture, - Reserve Account, and -Additional Parity Obligations for a description of the portions of the Indenture relating to said topics. The provisions in the Indenture relating to said topics and certain others are not summarized or repeated below.

### **CERTAIN DEFINITIONS**

"Alternate Credit Facility" means an alternate irrevocable letter of credit or similar credit facility issued by a commercial bank or savings institution, the terms of which shall be to the extent dictated by the terms of the 2008 Bonds, the same as or similar to those of the initial Credit Facility, delivered to the Trustee pursuant to the term hereof. The Alternate Credit Facility may include a bond insurance policy and a liquidity facility combined or such other similar credit arrangement as may be customary in the future for bonds similar to the 2008 Bonds.

"Auction Rate" means the interest rate to be determined for a Series of the 2008 Bonds pursuant to the Auction Procedures.

"Authority" means the South Placer Wastewater Authority, a joint exercise of powers authority organized and existing under the laws of the State of California.

"Authorized Denominations" means denominations of \$5,000 or any integral multiple thereof, provided that if the Interest Rate Mode for the 2008 Bonds is the Daily Rate, the Weekly Rate or the Commercial Paper Rate, the 2008 Bonds may be issued only in denominations of \$100,000 and any larger denomination constituting an integral multiple of \$1,000.

"Bank" means, with respect to the initial Credit Facility, collectively, State Street Bank and Trust Company, California Public Employee's Retirement System and the California State Teacher's Retirement System, and thereafter the commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institution so obligated) under a Credit Facility then in effect.

"Bank Bonds" means 2008 Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of the Credit Facility, but excluding 2008 Bonds no longer considered to be Bank Bonds under the terms of the Credit Facility). For purposes of the initial Reimbursement Agreement, Bank Bonds are therein referred to as "Pledge Bonds."

"Business Day" means (i) any day other than (a) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city or cities in which the Trust Office of the Trustee is located are authorized by law or executive order to close or (b) a day on which the New York Stock Exchange is closed, or (c) a day on which the offices of the Tender Agent at which the duties under the Indenture are to be performed or the office of the Bank at which draws under the Credit Facility are presented are authorized or required by law to close.

"Conversion" means, any conversion from time to time in accordance with the terms of the Indenture of the 2008 Bonds from one Interest Rate Mode to another Interest Rate Mode.

"Conversion Date" means the date on which any Conversion becomes effective.

"Costs of Issuance" means all the costs of issuing any 2008 Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, any 2008 Bonds and any preliminary official statement and final official statement pertaining to any 2008 Bonds; rating agency fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel to the Authority; any computer and other expenses incurred in connection with any 2008 Bonds; the fees and expenses of the Trustee, the Remarketing Agent, and any Broker-Dealer and Auction Agent; and other fees and expenses incurred in connection with the execution of the 2008 Bonds or the refunding of the 2000A Bonds, 2000B Bonds and 2003 Bonds to be refunded with proceeds of the 2008 Bonds, to the extent such fees and expenses are approved by the Authority.

"Credit Facility" means, initially the irrevocable direct pay letter of credit and any extension and renewal thereof, issued by the initial Bank naming the Trustee beneficiary and delivered on the date of issuance and delivery of the 2008 Bonds pursuant to the Letter of Credit and Reimbursement Agreement for the account of the Authority, and in the event such Credit Facility is no longer available for either respective Series of the 2008 Bonds, any subsequent Alternate Credit Facility issued for such Series.

"Daily Rate" means the Interest Rate Mode in which the interest rate on a Series of the 2008 Bonds is determined on each Business Day in accordance with the Indenture.

"Daily Rate Period" means the period beginning on, and including, the Conversion Date for a Conversion to the Daily Rate and ending on, and including, the day preceding the next Business Day and each period thereafter beginning on, and including, a Business Day and ending on, and including, the day preceding the next succeeding Business Day until the day preceding the earlier of the Conversion to a different Interest Rate Mode or the maturity the applicable Series of 2008 Bonds.

"Debt Service" means, for any computation period (the "Computation Period"), the sum of (1) the interest accruing on all Parity Bonds during such Computation Period, assuming that all Parity Bonds are retired as scheduled, plus (2) the principal amount (including Sinking Fund Installment payments) allocable to all Parity Bonds in such Computation Period, calculated as if such principal amounts were deemed to accrue daily during such Computation Period in equal amounts from, in each case, each payment date for principal or the date of delivery of such Parity Bonds (provided that principal shall not be deemed to accrue for greater than a 365-day period prior to any payment date), as the case may be, to the next succeeding payment date for principal; provided, that the following adjustments shall be made to the foregoing amounts in the calculation of Debt Service:

- (a) with respect to any such Parity Bonds bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Debt Service shall be (i) with respect to such Parity Bonds then outstanding, one hundred ten percent (110%) of the daily average interest rate on such Parity Bonds during the twelve (12) calendar months next preceding the date of such calculation (or the portion of the then current Computation Period that such Parity Bonds has borne interest)and (ii) with respect to such Parity Bonds then proposed to be issued, the average of The Bond Buyer Revenue Bond Index over the prior 12 months with respect to such Parity Bonds;
- (b) with respect to any such Parity Bonds having twenty percent (20%) or more of the aggregate principal amount thereof due in any one Computation Period, Debt Service shall be calculated for the Computation Period of determination as if the interest on and principal of such Parity Bonds were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of thirty (30) years from the date of such Parity Bonds; provided, however, that the full amount of such Parity Bonds shall be included in Debt Service if the date of calculation is within 24 months of the actual maturity of the payment;

- (c) with respect to any such Parity Bonds or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Bonds or portions thereof, such accreted discount shall be treated as due when scheduled to be paid; and
- (d) Debt Service shall only be calculated on Outstanding Parity Bonds, and shall not include interest, if any, on Parity Bonds which is to be paid from amounts constituting capitalized interest; and
- (e) notwithstanding subsections (a), (b), (c) or (d) above, with respect to any variable interest rate Parity Bonds or any commercial paper, if (A) the interest rate on such variable interest rate Parity Bonds or commercial paper, plus (B) the payments received and made by the Authority under a Swap Agreement or a swap arrangement with respect to such variable interest rate Parity Bonds or commercial paper, are expected to produce a synthetic fixed rate to be paid by the Authority (e.g., a swap arrangement under which the Authority pays a fixed rate and receives a variable rate which is expected to equal or approximate the rate of interest on such variable interest rate Parity Bonds or commercial paper), the variable interest rate Parity Bonds or commercial paper, as the case may be, shall be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate; provided that (Y) when there is a default under the Swap Agreement or a swap arrangement, or (Z) after a termination event has occurred with respect to the Authority under the Swap Agreement or a swap arrangement, such variable interest rate Bonds or commercial paper shall be assumed to bear interest at an interest rate equal to the higher of: (1) the synthetic fixed rate, or (2) the assumed interest rate calculated as described in subsections (a), (b), (c) and (d) above.

"Defeasance Obligations" means (a) cash, (b) non-callable direct obligations of the United States of America ("Treasuries"), or (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 (or any combination thereof).

"Enterprise" means the Regional Wastewater Facilities, as that term is defined in the Funding 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 Tax 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 Tax 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 Tax 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 Authority 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 any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

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

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

"Fiscal Year" means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period prescribed by law for local public agencies in the State of California.

"Funding Agreement" means that certain Funding Agreement relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000, among the Authority and the Participants.

"Improvement" means any addition, extension, improvement, equipment, machinery or other facilities to or for the Enterprise.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom-

- (a) is in fact independent and not under domination of the Authority;
- (b) does not have any substantial identity of interest, direct or indirect, with the Authority; and
- (c) is not and no member of which is connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority.

"Independent Consultant" means any financial or engineering consultant (including without limitation any Independent Certified Public Accountant) with an established reputation in the field of municipal finance or firm of such consultants appointed and paid by the Authority, and who, or each of whom-

- (a) is in fact independent and not under domination of the Authority;
- (b) does not have any substantial identity of interest, direct or indirect, with the Authority; and
- (c) is not and no member of which is connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to provide services to the Authority.

"Interest Payment Date" means, with respect to the 2008 Bonds,

- (a) (i) if the Interest Rate Mode for the 2008 Bonds is the Daily Rate or the Weekly Rate, the first Business Day of each month, (ii) if the Interest Rate Mode for the 2008 Bonds is the Commercial Paper Rate, the first Business Day following the last day of each Commercial Paper Rate Period for the 2008 Bonds and (iii) if the Interest Rate Mode for the 2008 Bonds is the Long-Term Rate, May 1 and November 1, provided, however, that if any May 1 and November 1 which is a Conversion Date for Conversion to the Daily Rate, the Weekly Rate or the Commercial Paper Rate, is not a Business Day, then the first Business Day immediately succeeding such May 1 and November 1, as applicable;
- (b) if the Interest Rate Mode for the 2008 Bonds is the Auction Rate, "Interest Payment Date" shall be as defined in the Indenture;
- (c) the Conversion Date or the effective date of a change to a new Long-Term Rate Period; and
- (d) with respect to Bank Bonds, any date designated as an interest payment date in the Reimbursement Agreement.

In any case, the final Interest Payment Date shall be the maturity date of the 2008 Bonds.

"Interest Period" means the period from, and including, each Interest Payment Date for such 2008 Bonds to, and including, the day next preceding the next Interest Payment Date for such 2008 Bonds, provided, however, that the first Interest Period for any 2008 Bonds shall begin on (and include) the Issue Date of the 2008 Bonds and the final Interest Period shall end the day next preceding the maturity date of the 2008 Bonds.

"Interest Rate Calculation Date" means the date or dates on which the Interest Rate(s) for the next succeeding Interest Payment Date(s) are determined.

"Interest Rate Mode" means the Commercial Paper Rate, the Daily Rate, the Auction Rate, the Weekly Rate and the Long-Term Rate.

"Interest Requirement" means the amount of interest due and payable on the 2008 Bonds on the next occurring Interest Payment Date.

"Long-Term Rate" means the Interest Rate Mode in which the interest rate on a Series of the 2008 Bonds is determined in accordance with the Indenture.

"Long-Term Rate Period" means any period established by the Authority pursuant to the Indenture and beginning on, and including, the Conversion Date for a Conversion to the Long-Term Rate and ending on, and including, the day preceding the last Interest Payment Date for such period and, thereafter, each successive period, if any, of substantially the same duration as that established period until the day preceding the earliest of the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the 2008 Bonds.

"Maintenance and Operation Costs" has the meaning given to the term "Regional Operation and Maintenance Costs" in the Funding Agreement.

"Mandatory Purchase Date" means any date upon which any 2008 Bonds have been called for mandatory tender for purchase in accordance with the Indenture.

"Mandatory Sinking Account Payment" means, as to each respective Series of 2008 Bonds, the principal amount of such Series of 2008 Bonds required to be paid on each Mandatory Sinking Account Payment Date.

"Mandatory Sinking Account Payment Date" means, as to the 2008A Bonds, the principal amount of 2008 Bonds required to be paid on each November 1<sup>st</sup> from November 1, 2028 through and including November 1, 2035, and as to the 2008B Bonds, the principal amount of 2008 Bonds required to be paid on each November 1<sup>st</sup> from November 1, 2008 through and including November 1, 2027.

"Maximum Annual Debt Service" means, as of the date of calculation, the maximum amount of Debt Service for the current or any future Fiscal Year.

"Maximum Rate" means, (a) as to 2008 Bonds bearing interest at a rate other than an Auction Rate, and other than Bank Bonds, the lesser of 12% and the maximum rate allowable under applicable law, (b) as to 2008 Bonds bearing interest at an Auction Rate, the meaning assigned to such term in Exhibit B attached hereto, (c) with respect to Bank Bonds, the Maximum Lawful Rate as defined in the Reimbursement Agreement, and (d) as to 2008 Bonds bearing interest at an Auction Rate, the definition of "Maximum Rate" in the Auction Procedures.

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities

rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Bank.

"Net Proceeds", when used with reference to the 2008 Bonds, means the face amount of the 2008 Bonds, plus accrued interest and premium, if any, less original issue discount and less proceeds deposited in the 2008 Reserve Account; "Net Proceeds", when used with reference to any insurance or condemnation award or sale of property, means the gross proceeds from the sale of property or insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel.

"Outstanding", when used as of any particular time with reference to 2008 Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except –

- (a) 2008 Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation:
- (b) 2008 Bonds paid or deemed to have been paid within the meaning of the provisions of the Indenture regarding defeasance; and
- (c) 2008 Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Indenture or any Parity Bonds Instrument.

"Owner" means any person who shall be the registered owner of any Outstanding 2008 Bond as indicated in the registration books of the Trustee.

"Parity Bonds" means all bonds, notes or other obligations (including without limitation long-term contracts, loans, sub-leases or other legal financing arrangements), including the 2008 Bonds, the Reimbursement Agreement and the Swap Agreement (only to the extent of Swap Periodic Payments), of the Authority payable from and secured by a pledge of and lien upon any of the Revenues issued or incurred pursuant to the Indenture.

"Parity Bonds Instrument" means the resolution, trust indenture, swap agreement, installment sale agreement adopted, entered into or executed and delivered by the Authority, and under which Parity Bonds are issued.

"Participant Net Revenues" has the meaning given to said term in the Funding Agreement.

"Participant Parity Obligations" has the meaning given to said term in the Funding Agreement.

"Participant System" has the meaning given to said term in the Funding Agreement.

"Participants" means the City, the County and the District.

"Permitted Investments" means any of the following to the extent then permitted by applicable laws and any investment policies of the Authority:

- (a) Federal Securities.
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) certificates of beneficial ownership of the Farmers Home Administration; (ii) Federal

Housing Administration debentures; (iii) participation certificates of the General Services Administration; (iv) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.
- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, and a rating by Moody's of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).
- (e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.
- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.
- (g) Investment agreements, either (a) between the Trustee and a financial institution whose long-term debt is assigned a long-term rating of Aa or AA or better from S&P or Moody's or a short-term rating which is in the highest general rating category of S&P and Moody's, in any event determined without regard to any refinement or gradation of such rating by a numerical modifier, a plus or a minus sign, or otherwise, or (b) collateralized in accordance with the requirements of the Rating Agency then rating the Bonds in order to maintain the then current rating on the Bonds.
  - (h) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P.
- (i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.
- (j) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P.
- (k) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.
  - (I) Shares in the California Asset Management Program.

"Prevailing Market Conditions" means, without limitation, the following factors: existing short-term market rates for securities; indices of such short-term rates; the existing market supply and demand and the existing yield curves for short-term and long-term securities for obligations of credit quality

comparable to the 2008 Bonds; general economic conditions and financial conditions that may affect or be relevant to the 2008 Bonds; and such other facts, circumstances and conditions as the Remarketing Agent, in its sole discretion, shall determine to be relevant to the remarketing of the 2008 Bonds, at the principal amount thereof.

"Principal Payment" means with respect to any particular Principal Payment Date, an amount equal to the sum of (i) the aggregate principal amount of Outstanding Serial 2008 Bonds payable on such Principal Payment Date (but not including Sinking Fund Installments) and (ii) the aggregate of Sinking Fund Installments with respect to all Outstanding Term Bonds payable on such Principal Payment Date as determined hereby.

"Principal Payment Date" means (i) with respect to the 2008 Bonds, prior to the Long-Term Rate Date, each November 1 until maturity, commencing November 1, 2028 for the 2008A Bonds and commencing November 1, 2008 for the 2008B Bonds; and (ii) with respect to any 2008 Bonds bearing interest at a Long-Term Rate, November 1, commencing with the November 1 immediately following the Long-Term Rate Date or otherwise as in accordance with a Supplemental Indenture entered into pursuant to the terms hereof.

"Project" has the meaning given to said term in the recitals.

"Purchase Date" means, with respect to any 2008 Bond, (a) if the Interest Rate Mode is the Daily Rate or the Weekly Rate, any Business Day as set forth in the Indenture, and (b) each day that such 2008 Bond is subject to mandatory purchase pursuant to the Indenture; provided, however, that the date of the stated maturity of such 2008 Bond shall not be a Purchase Date.

"Rate Period" means any period during which a single interest rate is in effect for the 2008 Bonds.

"Rate Stabilization Fund" means the fund of that name created and maintained by the Authority pursuant to the Funding Agreement.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

"Regional Connection Fees" has the meaning given thereto in the Funding Agreement.

"Regular Record Date" means (a) with respect to any Interest Period during which the Interest Rate Mode is the Daily Rate or the Weekly Rate, the close of business on the last Business Day of such Interest Period, (b) with respect to any Interest Period during which the Interest Rate Mode is the Auction Rate, the second Business Day preceding an Interest Payment Date for such Interest Period, (c) with respect to any Interest Period during which the Interest Rate Mode is the Long-Term Rate, the fifteenth day (whether or not a Business Day) of the calendar month prior to the Interest Payment Date, and (d) with respect to any Interest Period during which the Interest Rate Mode is the Commercial Paper Rate, the Interest Payment Date for such Interest Period.

"Reimbursement Agreement" means the Letter of Credit and Reimbursement Agreement dated as of April 1, 2008, by and among the Authority and State Street Bank and Trust Company, California Public Employee's Retirement System and the California State Teacher's Retirement System, or any similar agreement with respect to an Alternate Credit Facility.

"Related Documents" means the 2008 Bonds, the Refunding Wastewater Revenue Bonds Purchase Contract, the Remarketing Agreement, the Reimbursement Agreement, the Swap Agreement and the Funding Agreement.

"Remarketing Agent" means the remarketing agent appointed in accordance with the Indenture, initially Morgan Stanley & Co. Incorporated.

"Remarketing Agreement" means the Remarketing Agreement, dated as of April 1, 2008, between the Authority and the Remarketing Agent, providing for the remarketing of 2008 Bonds tendered for purchase, as the same may be amended from time to time, and any remarketing agreement between the Authority and a successor Remarketing Agent.

"Representation Letter" means each Letter of Representations from the Authority and the Trustee to DTC, or any successor securities depository for the 2008 Bonds.

"Request of the Authority" means a request in writing signed by an Authorized Official.

"Reserve Requirement" means, as to each Series of 2008 Bonds calculated independently, an amount equal to the least of (i) the Maximum Annual Debt Service on the Outstanding 2008 Bonds of such Series, (ii) 10% of the proceeds of the 2008 Bonds of such Series, (iii) 125% of the average annual Debt Service on Outstanding 2008 Bonds of such Series, or (iv) as to the 2008A Bonds \$6,174,179.74, and as to the 2008B Bonds, \$4,484,900.90; and as to any Series of Parity Bonds other than the 2008 Bonds, the least of (i) the Maximum Annual Debt Service on the Outstanding bonds of such Series, (ii) 10% of the proceeds of the bonds of such Series, (iii) 125% of the average annual Debt Service on Outstanding bonds of such Series; provided, that in no event shall the Authority, in connection with the issuance of additional bonds pursuant to a supplement to the Indenture, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Internal Revenue Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit.

"Revenues" means, for any period of computation, (a) all amounts received by, or entitled to be received by, the Authority from the Participants under Section 7 of the Funding Agreement (but excluding Regional Connection Fees and amounts held in the Rate Stabilization Fund, unless and until said funds are deposited in the 2008 Debt Service Fund or a debt service fund established for payment of any Parity Bonds), (b) amounts received under the Credit Facility or an Alternate Credit Facility, and (c) all receipts derived from the investment of funds held by the Trustee under the Indenture or any Parity Bonds Instrument.

"Sinking Fund Installment" means, with respect to any particular date, the amount of money required hereby to be paid by the Authority on such date toward the retirement of any particular Term Bonds prior to their respective stated maturities.

"S&P" means Standard & Poor's Corporation, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Bank.

"Supplemental Indenture" means an agreement amending or supplementing the terms hereof entered into pursuant to the terms hereof or any Parity Bonds Instrument.

"Swap Agreement" means the Master Agreement, including the schedules and the confirmation thereto, dated August 28, 2003 between the Authority and the Swap Counterparty, as amended for the 2008B Bonds, and as to any other Parity Bonds, an agreement or agreements providing for a swap of the interest rates payable by the Authority with respect on such Parity Bonds.

"Swap Periodic Payment" means the periodic payments (which do not include any payment due upon early termination of the Swap Agreement or the transfer of Eligible Credit Support pursuant to the Credit Support Document, as defined in the Swap Agreement) due to or from the Authority and the Swap Counterparty under the Swap Agreement.

"Tax Certificate" means any certificate executed by the Authority at the time of execution and delivery of the 2008 Bonds relating to the requirements of Section 148 of the Tax Code, as such certificate may be amended or supplemented.

"Tax Code" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Tax Code shall include reference to all successors to such section of the Tax Code.

"Trustee" means The Bank of New York Trust Company, N.A., a national banking corporation association, duly organized and existing under the laws of the United States of America and having a principal corporate trust office located at San Francisco, California, and any other bank or trust company which may at any time be substituted in the place of the Trustee, as provided in the Indenture.

"Trust Office" means the corporate trust office of the Trustee at 550 Kearney Street, Suite 600, San Francisco, CA 94108-2527, or such other or additional offices as may be specified to the Authority by the Trustee in writing.

"User Charges" has the meaning given to said term in the Funding Agreement.

"Variable Index" means, on any date, a rate determined on the basis of The Securities Industry and Financial Markets Association Municipal Swap Index™ as of the most recent date for which such index was published or such other weekly, high-grade index comprising seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or otherwise designated by The Securities Industry and Financial Markets Association; provided that, if such index is no longer provided by Municipal Market Data, Inc. or its successor, the "Variable Index" shall mean such other reasonably comparable index selected by the Remarketing Agent.

"Variable Interest Rate" means the Daily Rate, the Weekly Rate, the Commercial Paper Rate and the Auction Rate.

"Variable Rate Period" means any period of time during which any 2008 Bonds evidence interest at a specified Variable Interest Rate determined with regard to such period.

"Weekly Rate" means the Interest Rate Mode in which the interest rate on a Series of the 2008 Bonds is determined weekly in accordance with the Indenture.

"Weekly Rate Period" means the period beginning on, and including, the Conversion Date for a Conversion to the Weekly Rate and ending on, and including, the next Wednesday and thereafter the period beginning on, and including, any Thursday and ending on, and including, the earliest of the following Wednesday, the day preceding the Conversion of the 2008 Bonds to a different Interest Rate Mode or the maturity of the 2008 Bonds.

## FUNDS AND ACCOUNTS UNDER THE INDENTURE

Cost of Issuance Fund. There is created a fund to be known as the "South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, 2008 Cost of Issuance Fund" (the "Cost of Issuance Fund"), which shall be held in trust by the Trustee. The moneys in the Cost of Issuance Fund shall be used solely for the purpose of the payment of Costs of Issuance upon receipt by the Trustee of Requests of the Authority therefor, on or after the Closing Date. Any funds remaining in the Cost of Issuance Fund on June 1, 2008, shall be transferred by the Trustee (a) first to the 2008 Reserve Account to the extent the amount on deposit therein is less than the Reserve Requirement, and (b) second, to the 2008 Debt Service Fund.

2008 Reserve Account. The Trustee shall establish a 2008 Reserve Account, and a separate respective Series 2008A Subaccount and Series 2008B Subaccount shall be established for each Series of 2008 Bonds. An amount equal to the Reserve Requirement in the form of either: (i) cash or Permitted Investments; or (ii) a Reserve Account Credit Instrument allowed under the Indenture for the account of the 2008 Reserve Account, shall be maintained in each respective subaccount of the 2008 Reserve Account at all times. Any deficiency in the 2008 Reserve Account shall be replenished from: (1) amounts paid by the Authority to the Trustee resulting from a late payment by a Participant under the Funding Agreement; and (2) amounts paid by the Authority to the Trustee from payments made by the Participants under the Funding Agreement as a result of a deficiency in the 2008 Reserve Account caused by investment losses on Permitted Investments held in the 2008 Reserve Account.

2008 Debt Service Fund. On or before the second Business Day prior to each Interest Payment Date, the Authority shall deposit with the Trustee, or cause to be deposited with the Trustee for deposit to the 2008 Debt Service Fund, Revenues in an amount equal to (i) the aggregate amount of interest to become due and payable on all Outstanding 2008 Bonds on the next succeeding Interest Payment Date, plus (ii) beginning on or before the second Business Day prior to November 1, 2008, an amount equal to the aggregate amount of Principal Payments (including any Sinking Fund Installments) becoming due and payable on all Outstanding 2008 Bonds on the next succeeding Principal Payment Date. Any amount held in the 2008 Debt Service Fund on any Interest Payment Date or Principal Payment Date (other than amounts resulting from the optional redemption of Bonds in part but not in whole and other than amounts required for payment of Bonds not yet surrendered) shall be credited towards the amount then due and payable. No transfer and deposit need be made into the 2008 Debt Service Fund if the amount contained therein, taking into account transfers therein made by the Authority from the Rate Stabilization Fund, and investment earnings and profits, is at least equal to the Interest Requirement or Principal Payments to become due on the next Interest Payment Date or Principal Payment Date upon all Outstanding 2008 Bonds.

<u>Credit Facility Account.</u> The Trustee shall create within the 2008 Debt Service Fund a separate account called the "2008 Credit Facility Account," into which all moneys drawn under the Credit Facility shall be deposited and disbursed. The Authority shall not have any right title or interest in the Credit Facility Account. The Credit Facility Account shall be established and maintained by the Trustee and held uninvested and in trust apart from all other moneys and securities held under the Indenture or otherwise, and over which the Trustee shall have the exclusive and sole right of withdrawal for the exclusive benefit of the Owners of the Bonds with respect to which such drawing was made.

Application of 2008 Debt Service Fund. Notwithstanding the following provisions, so long as the Trustee draws on the Credit Facility for payments of principal and interest on the 2008 Bonds, such principal and interest shall be paid from the 2008 Credit Facility Account and amounts in the 2008 Debt Service Fund shall first be used to reimburse the Bank for draws on the Credit Facility used to pay such principal and interest.

- (a) The Trustee shall withdraw from the 2008 Debt Service Fund, on or prior to each Interest Payment Date, an amount equal to the Interest Requirement payable on such Interest Payment Date, and shall cause the same to be applied to the payment of said interest when due and is hereby authorized to apply the same to the payment of such interest by check or draft (or by wire transfer, as the case may be),
  - (i) So long as the Swap Agreement is in effect, the Authority shall notify the Trustee, prior to the date any Swap Periodic Payment is to be made, of the amount of the Swap Periodic Payment next becoming due. If the Swap Periodic Payment is a payment to be made from the Swap Counterparty to the Authority, the Authority shall either cause such payment to be made to the Trustee or forward such payment to the Trustee promptly upon receipt and the Trustee shall deposit such amount in the 2008 Debt Service Fund. If the Swap Periodic Payment is a payment to be made from the Authority to the Swap Counterparty, the Trustee shall, upon receipt of the notice from the Authority or Swap Counterparty, give written notification to the Authority of the "Payment Amount" which is the amount of Revenues needed to be deposited with the Trustee to

pay amounts payable to the Swap Counterparty, calculated as the amount of the Swap Periodic Payment less any amount available in the 2008 Debt Service Fund for application as a credit against such amount. Upon receipt of such notification, the Authority shall forward the Payment Amount to the Trustee for deposit in the 2008 Debt Service Fund. The Trustee shall withdraw from the 2008 Debt Service Fund, at such time as directed by the Authority but in any event on or prior to the due date of each Swap Periodic Payment, the amount of such Swap Periodic Payment, and such amount shall be paid by the Trustee to the Swap Counterparty on or prior to the applicable due date of the Swap Periodic Payment.

- (ii) As to any Series of 2008 Bonds for which no Swap Agreement is in effect, if any Interest Rate Calculation Date will occur between the date of computation and the next succeeding Interest Payment Date, the Trustee shall assume that the interest rate applicable for the days from such Interest Rate Calculation Date to such Interest Payment Date shall be the rate then in effect, plus 100 basis points (1.0%) provided, however, if the Bonds are then payable at a Long-Term Rate, then the amount due shall be calculated at such Long-Term Rate. At least 15 days prior to the beginning of each calendar month, the Trustee shall send written notification to the Authority, which notification will indicate the "Payment Amount" which is the amount of Revenues needed to be deposited with the Trustee to pay interest becoming due on the Bonds during the next calendar month, less any amount available for application as a credit against such amount.
- (b) The Trustee shall withdraw from the 2008 Debt Service Fund, on or prior to each Principal Payment Date, an amount equal to the principal amount of the Outstanding Serial 2008 Bonds, if any, maturing on said Principal Payment Date and any Sinking Fund Installments due and payable on said Principal Payment Date, and shall cause the same to be applied to the payment of the principal of said 2008 Bonds when due.
- (c) All withdrawals and transfers under the provisions of subsection (a) or subsection (b) above shall be made not earlier than one (1) Business Day prior to the Interest Payment Date or Principal Payment Date to which they relate, and the amount so withdrawn or transferred shall, for the purposes of the Indenture, be deemed to remain in and be part of the appropriate account until such Interest Payment Date or Principal Payment Date.

All interest earnings and profits or losses on the investment of amounts in the 2008 Debt Service Fund shall be deposited in or charged to the 2008 Debt Service Fund and applied to the purposes thereof.

Following the deposit and application of Revenues described in subsection (a) and (b) of this section and payment to the Bank of any amounts owed as a result of drawing on the Credit Facility, the remaining Revenues in the 2008 Debt Service Fund shall be released from the lien of the Indenture and shall be available for any lawful purpose of the Authority.

# Application of 2008 Reserve Account.

(a) In General. If on the second Business Day prior to any Interest Payment Date there shall not be sufficient amounts in the 2008 Debt Service Fund to make payment of Principal Payments or Redemption Price of or interest on the 2008 Bonds, the Trustee shall provide notice of such fact to the Authority (provided that no such notice shall be required to be given with respect to a withdrawal of amounts in excess of the Reserve Requirement or of withdrawals in connection with the refunding of the 2008 Bonds in whole or in part) and withdraw from the 2008 Reserve Account (including a draw on any Reserve Account Credit Instrument, as defined in (b) below) and pay into the appropriate Fund or Account the amount of the deficiency. Any amounts in the 2008 Reserve Account in excess of the Reserve Requirement (whether derived from interest or gain on investments or otherwise) shall, when realized, be transferred to the 2008 Debt Service Fund.

- (b) Reserve Account Credit Instrument. The Authority may satisfy its obligation to deposit the Reserve Requirement in the 2008 Reserve Account by the deposit of a surety bond, insurance policy or letter of credit (a "Reserve Account Credit Instrument") as set forth below:
  - (i) A Surety bond or insurance policy issued to the Trustee, as agent of the Owners, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the 2008 Bonds (a "municipal bond insurer") may be deposited in the 2008 Reserve Account to meet the Reserve Requirement if the claims paying ability of the issuer thereof shall be rated "AAA" or "Aaa" by S&P or Moody's, respectively.
  - (ii) An unconditional irrevocable letter of credit issued to the Trustee, as agent of the Owners, by a bank may be deposited in the 2008 Reserve Account to meet the Reserve Requirement if the issuer thereof is rated at least "AA" by S&P. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the Authority and the Trustee, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.
  - (iii) If such notice indicates that the expiration date of a letter of credit shall not be extended, the Authority shall deposit in the 2008 Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the 2008 Reserve Account together with any other qualifying credit instruments, to equal the Reserve Requirement on all outstanding 2008 Bonds, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the Reserve Account Credit Instrument is replaced by a Reserve Account Credit Instrument meeting the requirements in any of (i) to (iii) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee shall draw upon the letter of credit prior to its expiration or termination and deposit the funds drawn into the 2008 Reserve Account, unless an acceptable replacement is in place or the 2008 Reserve Account is fully funded in its required amount.
  - (iv) The use of any Reserve Account Credit Instrument pursuant to this paragraph shall be subject to receipt of an opinion of counsel as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Authority. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filling of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the bonds (or any other account party under the letter of credit).
  - (v) The obligation to reimburse the issuer of a Reserve Account Credit Instrument for any fees, expenses, claims or draws upon such Reserve Account Credit Instrument shall be subordinate to the payment of debt service on the bonds. The right of the issuer of a Reserve Account Credit Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the 2008 Reserve Account, and, subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the 2008 Reserve Account. The Reserve Account Credit Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Account Credit Instrument to

reimbursement will be further subordinated to cash replenishment of the 2008 Reserve Account to an amount equal to the difference between the full original amount available under the Reserve Account Credit Instrument and the amount then available for further draws or claims. If (a) the issuer of a Reserve Account Credit Instrument becomes insolvent or (b) the issuer of a Reserve Account Credit Instrument obligations thereunder or (c) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P "AAA" or a Moody's "Aaa" or (d) the rating of the issuer of the letter of credit falls below a S&P "AA", the obligation to reimburse the issuer of the Reserve Account Credit Instrument shall be subordinate to the cash replenishment of the 2008 Reserve Account.

- If (a) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (b) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P "AAA" or a Moody's "Aaa" or (c) the rating of the issuer of the letter of credit falls below a S&P "AA", the Authority shall either (1) deposit into the 2008 Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the 2008 Reserve Account to equal the Reserve Requirement on all outstanding 2008 Bonds, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (2) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of paragraphs (i) to (iii) above, within six months of such occurrence. In the event (x) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" or (y) the rating of the issuer of the letter of credit falls below "A" or (z) the issuer of the Reserve Account Credit Instrument defaults in its payment obligations or (AA) the issuer of the Reserve Account Credit Instrument becomes insolvent, the Authority shall either (I) deposit into the 2008 Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the 2008 Reserve Account to equal the Reserve Requirement on all outstanding 2008 Bonds, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (II) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of paragraphs (i) to (iii) above, within six months of such occurrence.
- (vii) Where applicable, the amount available for draws or claims under the Reserve Account Credit Instrument may be reduced by the amount of cash or permitted investments deposited in the 2008 Reserve Account pursuant to clause (1) of the preceding subparagraph (vii).
- (viii) If the Authority chooses the above described alternatives to a cash-funded 2008 Reserve Account, any amounts owed by the Authority to the issuer of such credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Indenture for any purpose; e.g., rate covenant or additional bonds test.
- (ix) The Trustee shall ascertain the necessity for a claim or draw upon the Reserve Account Credit Instrument and provide notice to the issuer of the Reserve Account Credit Instrument in accordance with its terms not later than two Business Days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Reserve Account Credit Instrument) prior to each Interest Payment Date.

Cash on deposit in the 2008 Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Account Credit Instrument. If and to the extent that more than one Reserve Account Credit Instrument is deposited in the 2008 Reserve Account, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

<u>Application of 2008 Redemption Account</u>. On or before the date which is at least one Business Day prior to any Interest Payment Date on which 2008 Bonds are subject to redemption, the Trustee shall

transfer from the 2008 Debt Service Fund to the 2008 Redemption Account an amount at least equal to the Redemption Price (excluding accrued interest, which is payable from the 2008 Debt Service Fund) of such 2008 Bonds to be redeemed on such Interest Payment Date. In addition, the Authority shall transfer to the Trustee for deposit in the 2008 Redemption Account all amounts required to redeem any 2008 Bonds which are subject to redemption pursuant to extraordinary redemption when and as such amounts become available, it having been determined that such proceeds will not be applied to rebuild or repair the Enterprise. Amounts in the 2008 Redemption Account shall be applied by the Trustee solely for the purpose of paying the Redemption Price or Purchase Price of 2008 Bonds to be redeemed or purchased. If after all of the 2008 Bonds have been paid or deemed to have been paid, there are moneys remaining in the 2008 Redemption Account, such moneys shall be transferred by the Trustee to the Authority. Notwithstanding the foregoing, amounts in the Redemption Account shall first be used to reimburse the Bank for draws on the Credit Facility used to pay Purchase Price of the 2008 Bonds.

Investments. All moneys in the 2008 Debt Service Fund (other than the Credit Facility Account), the 2008 Reserve Account and 2008 Cost of Issuance Fund shall be invested by the Trustee solely in Permitted Investments, as directed pursuant to a Request of the Authority. In the absence of any such Request of the Authority, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof. Obligations purchased as an investment of moneys in any Fund or Account shall be deemed to be part of such fund or account, and all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the Fund or Account from which such investment was made; and shall be accounted for and applied as provided in the Indenture (with respect to the 2008 Debt Service Fund and with respect to the 2008 Reserve Account). For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture with the written approval of the Authority. The Trustee may act as principal or agent in the acquisition of any investment.

#### THE CREDIT FACILITY

The Trustee shall hold and maintain the Credit Facility for the benefit of the Owners until the Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility.

The Trustee shall enforce all terms, covenants and conditions of the Credit Facility, including drawing on the Credit Facility as required to provide for all payments of principal of and interest on, Redemption Price and Purchase Price of 2008 Bonds (other than Bank Bonds), amounts due on acceleration upon an Event of Default, and all other provisions thereof relating to the payment of draws on, and reinstatement of amounts that may be drawn under, the Credit Facility, and will not consent to, agree to or permit any amendment or modification of the Credit Facility which would materially adversely affect the rights or security of the Owners of the Bonds.

If at any time during the term of the Credit Facility any successor Trustee is appointed and qualified under the Indenture, the resigning or removed Trustee shall request that the Bank transfer the Credit Facility to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment.

When the Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility, the Trustee shall immediately surrender the Credit Facility to the Bank.

The Trustee shall draw moneys under the Credit Facility in accordance with the terms thereof in an amount necessary to make full and timely payments of (a) principal of and interest on, and Redemption Price of the 2008 Bonds (other than Bank Bonds) when due at maturity, redemption or acceleration, during the Daily Rate Period, Weekly Rate Period or Commercial Paper Rate Period and (b) the Purchase Price required to be paid pursuant hereto.

If at any time there shall have been delivered to the Trustee an Alternate Credit Facility meeting the requirements of the Indenture, then the Trustee shall accept such Alternate Credit Facility, draw on

the existing Credit Facility to the extent required pursuant to the provisions thereof and hereof for payment of the Purchase Price, and after such draw has been honored, surrender the existing Credit Facility to the Bank, in accordance with the terms of such Credit Facility, for cancellation. The existing Credit Facility shall be returned to the Bank only after the Bank has honored any draws required to pay the Purchase Price in accordance with the terms hereof.

If at any time there cease to be any Bonds Outstanding under the Indenture, the Trustee shall promptly surrender the Credit Facility to the Bank, in accordance with the terms of the Credit Facility, for cancellation. The Trustee shall comply with the procedures set forth in the Credit Facility relating to the termination thereof.

# COVENANTS OF THE AUTHORITY; SPECIAL TAX COVENANTS

<u>Punctual Payment; Compliance With Documents</u>. The Authority shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the 2008 Bonds in strict conformity with the terms of the 2008 Bonds and of the Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Parity Bonds Instruments.

Against Encumbrances. The Authority will not mortgage or otherwise encumber, pledge, or place any charge upon the Enterprise or any part thereof, or upon any of the Revenues, except as provided in the Indenture; nor will the Authority permit any Participant to do any of the foregoing except as provided in the Indenture or in the Funding Agreement.

<u>Discharge of Claims</u>. The Authority covenants that in order to fully preserve and protect the priority and security of the 2008 Bonds the Authority shall pay from the Revenues and discharge, or cause to be paid and discharged, all lawful claims for labor, materials and supplies furnished for or in connection with the Enterprise which, if unpaid, may become a lien or charge upon the Revenues prior or superior to the lien of the 2008 Bonds and impair the security of the 2008 Bonds. The Authority shall also pay from the Revenues, or cause to be paid, all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Enterprise or upon any part thereof or upon any of the Revenues therefrom.

Acquisition, Construction or Financing of Improvements to the Enterprise. The Authority will acquire, construct, or finance Improvements to the Enterprise to be financed with the proceeds of any Parity Bonds, or cause the same to be acquired, constructed or financed, with all practicable dispatch, and such Improvements will be made in an expeditious manner and in conformity with laws so as to complete the same as soon as possible.

Maintenance and Operation of Enterprise in Efficient and Economical Manner. The Authority covenants and agrees to maintain, operate and preserve the Enterprise, or cause the same to be maintained, operated and preserved, in good repair and working order, and in an efficient and economical manner. The Authority shall pay the budgeted Maintenance and Operation Costs, or cause the same to be paid, as such costs become due and payable, shall regularly bill the Participants, or cause the Participants to be billed for such Maintenance and Operation Costs, and shall collect from the Participants their pro rata share of Maintenance and Operation Costs, or cause the same to be collected.

# Against Sale, Eminent Domain.

(a) The Authority will not sell, lease or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Revenues except as in the Indenture expressly permitted; nor will the Authority permit any Participant to do any of the foregoing except as in the Indenture expressly permitted or permitted in the Funding Agreement. The Authority will not enter into any lease or agreement which impairs the operation of the Enterprise or any part thereof necessary to secure adequate Revenues for the payment of the interest on and principal or Redemption Price, if any, on the 2008 Bonds, or which would otherwise impair the rights of the Owners with respect to

the Revenues or the operation of the Enterprise; nor will the Authority permit any Participant to do any of the foregoing. Any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment which has worn out, may be sold without the consent of the Owners if such sale will not reduce Revenues.

If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Authority shall deposit or cause to be deposited, the Net Proceeds therefrom with the Trustee in a special fund in trust and said Net Proceeds shall be applied by the Authority to the cost of acquiring or constructing or financing Improvements to the Enterprise if (a) the Authority first secures and files with the Trustee a Certificate of the Authority showing (i) the estimated loss in annual Revenues, if any, suffered, or to be suffered, by the Authority by reason of such eminent domain proceedings, (ii) a general description of the Improvements to the Enterprise then proposed to be acquired or constructed by the Authority from such Net Proceeds, and (iii) an estimate of the additional Revenues to be derived from such Improvements; and (b) the Trustee, on the basis of such Certificate of the Authority, determines that the ability of the Authority to meet its obligations under the Indenture will not be substantially impaired, which determination shall be final and conclusive. If the foregoing conditions are met, the Authority shall then promptly proceed with the acquisition or construction or financing of such Improvements, or cause the same to be acquired, constructed, or financed, substantially in accordance with such Certificate of the Authority and payments therefor shall be made by the Trustee from such Net Proceeds and from other moneys of the Authority lawfully available therefore, and any balance of such Net Proceeds not required by the Authority for the purposes aforesaid shall be paid to the Authority. If the foregoing conditions are not met, then such Net Proceeds shall be applied by the Trustee pro rata to the redemption or purchase of the Parity Bonds of each Series then Outstanding in the proportion which the principal amount of the Outstanding 2008 Bonds bears to the aggregate principal amount of all Parity Bonds then Outstanding. If the Trustee is unable to purchase or redeem Parity Bonds in amounts sufficient to exhaust the available moneys, the remainder of such moneys shall be held in trust by the Trustee and applied to the payment of the Parity Bonds as the same become due by their terms, and, pending such application, such remaining moneys may be invested by the Trustee in the manner provided in the Indenture for the investment of moneys in the 2008 Reserve Account.

Insurance. The Authority covenants that it shall at all times maintain, or cause to be maintained, such insurance on the Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Enterprise shall be damaged or destroyed, such part shall be restored to use. The Net Proceeds of insurance against accident to or destruction of the physical Enterprise shall be used for repairing, rebuilding or replacing the damaged or destroyed portions of the Enterprise (to the extent that such repair, rebuilding or replacing is determined by the Authority to be useful or of continuing value to the Enterprise), and to the extent not so applied, shall be applied to the redemption of the Outstanding Parity Bonds issued on a pro rata basis, and for such purpose shall be paid into the 2008 Redemption Account.

Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the Authority, or to the Participant then owning or operating the Enterprise, or may be in the form of self-insurance by the Authority or the Participant then owning or operating the Enterprise. The Authority shall establish, or cause to be established, such fund or funds or reserves as are necessary to provide for its share of any such self-insurance. The Authority shall file or cause to be filed with the Trustee, annually within one hundred twenty (120) days after the close of each Fiscal Year, a Certificate of the Authority or Certificate of said Participant, (a) setting forth a description in reasonable detail of the insurance then in effect, including any self-insurance fund, maintained pursuant to the requirements hereof, (b) stating that the Authority, or said Participant, is then in compliance with the requirements hereof, and (c) stating whether during the preceding Fiscal Year any loss has been incurred with respect to the Enterprise and, if so, the amount of Net Proceeds of insurance, including the Net Proceeds of any self-insurance fund, covering such loss and specifying the reasonable and necessary costs of repair, reconstruction or replacement thereof.

Records and Accounts. The Authority covenants that it shall keep, or cause to be kept, proper books of record and accounts of the Enterprise, separate from all other records and accounts, in which

complete and correct entries shall be made of all transactions relating to the Enterprise. Said books shall, upon reasonable request, be subject to the inspection of the Bank and the Owners of not less than ten percent (10%) of the Outstanding 2008 Bonds or their representatives authorized in writing.

The Authority covenants that it will cause the books and accounts of the Enterprise to be audited annually by an Independent Certified Public Accountant and will make available for inspection by the Owners at the office of the Trustee in San Francisco, California, upon reasonable request, a copy of the report of such Independent Certified Public Accountant.

The Authority covenants that it will cause to be prepared annually, not more than one hundred eighty (180) days after the close of each Fiscal Year, as a part of its regular annual financial report, a summary statement showing the amount of Revenues and the amount of all other funds collected which are required to be pledged or otherwise made available as security for payment of principal of and interest on the Parity Bonds, the disbursements from the Revenues and other funds in reasonable detail, and a general statement of the financial and physical condition of the Enterprise. The Authority shall furnish a copy of the statement to the Trustee and the Bank, and upon written request, to any Owner.

<u>Protection of Security and Rights of Owners</u>. The Authority will preserve and protect the security of the 2008 Bonds and the rights of the Bank and the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Parity Bonds by the Authority, such Parity Bonds shall be incontestable by the Authority.

Against Competitive Facilities. The Authority will not acquire, construct, operate or maintain, or permit any Participant to acquire, construct, operate, or maintain, wastewater treatment facilities within the service area of the Authority served by the Enterprise as of the Closing Date, that would be competitive with the Enterprise.

<u>Payment of Taxes, Etc.</u> The Authority will pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon any Revenues when the same shall become due. The Authority will duly observe and conform with all valid requirements of any governmental authority relative to the Enterprise or any part thereof, or cause the same to be observed and conformed with, and will comply with all requirements with respect to any state or federal grants received to assist in paying for the costs of the acquisition, construction or financing of any Improvements to the Enterprise, or cause the same to be complied with.

<u>Enforcement of Funding Agreement</u>. The Authority shall enforce its right to receive payments from the Participants under the Funding Agreement, to ensure timely payment on the 2008 Bonds.

Continuing Disclosure. The Authority covenants and agrees that, in the event continuing disclosure is required for any Series of 2008 Bonds under Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, it will undertake to comply with and carry out all applicable provisions for compliance therewith for such 2008 Bonds. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with such undertaking shall not be considered an Event of Default; however, the Trustee, at the written request of any participating underwriter or the holders of at least 25% aggregate principal amount of Outstanding 2008 Bonds of such Series, shall, but only to the extent indemnified to its satisfaction from any liability or expense, including, without limitation fees and expenses of its attorneys, or any holder or beneficial owner of the 2008 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

### MODIFICATION AND AMENDMENT OF THE INDENTURE

Amendment by Consent of Owners. The Indenture and the rights and obligations of the Authority and of the Owners of the 2008 Bonds may be modified or amended at any time by a Supplemental

Indenture which shall become binding when the written consent of the Bank (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank) and the Owners of a majority in aggregate principal amount of the 2008 Bonds then Outstanding (except the consent of the Holders shall not be necessary so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any drawings thereunder), exclusive of 2008 Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any 2008 Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any 2008 Bond without the express written consent of the Bank and the Owner of such 2008 Bond, (b) reduce the percentage of 2008 Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Amendment Without Consent of 2008 Owners. The Indenture and the rights and obligations of the Authority and of the Owners of the 2008 Bonds may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon execution and delivery, without consent of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes-

- (a) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power in the Indenture reserved to or conferred upon the Authority; or
- (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not adversely affect the interests of the Owners of the 2008 Bonds or the Swap Counterparty;
- (c) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the 2008 Bonds.
- (d) to modify, alter, amend or supplement the Indenture in any other respect including amendments which would otherwise be allowed with the consent of Owners, if such amendments will take effect:
  - on a mandatory tender date in connection with the purchase of tendered 2008 Bonds;
  - (2) on a Conversion Date; or
- (3) during a Weekly Rate if notice of the proposed amended or supplemental indenture is given to 2008 Bond Owners (in the same manner as notices of redemption are given) at least 30 days before the effective date of such amendment, modification, alteration or supplement and, on or before such effective date, the 2008 Bond Owners have the right to demand purchase of the 2008 Bonds pursuant to the Indenture.

<u>Supplements to Indenture</u>. Additionally, the Trust Indenture may, without the consent of, or notice to, any of the Owners, be supplemented and amended, in such manner as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Authority to be observed or performed in the Indenture other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority, or to surrender any right or power reserved in the Indenture to or conferred in the Indenture on the Authority, and which in either case shall not materially adversely affect the interests of the Owners; or

- (ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the Authority may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners; or
- (iii) for any other reason, provided such amendment or supplement does not materially adversely affect the interests of the Owners, provided, further that the Authority and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Bond Counsel stating that the requirements of this subsection (iii) have been met with respect to such amendment or supplement; or
  - (iv) to provide for the issuance of one or more additional series of bonds; or
  - (v) to implement a conversion of the Interest Rate Mode; or
  - (vi) to provide for a Credit Facility or clarify certain terms of a Credit Facility.

# THE REMARKETING AGENT AND THE TRUSTEE

# Remarketing Agent.

- (a) Morgan Stanley & Co. Incorporated is appointed the initial Remarketing Agent for the 2008 Bonds. Upon Conversion of any of the 2008 Bonds to the Daily Rate, Weekly Rate, Long-Term Rate or Commercial Paper Rate at a time when no Remarketing Agent is serving as Remarketing Agent for the 2008 Bonds, the Authority shall appoint a Remarketing Agent for such 2008 Bonds. The Remarketing Agent shall be authorized by law to perform all the duties imposed upon it hereby. The Remarketing Agent or any successor shall signify its acceptance of the duties and obligations imposed upon it under the Indenture by a Remarketing Agreement under which the Remarketing Agent will agree to:
  - (i) determine the interest rates applicable to such 2008 Bonds and give notice to the Trustee of such rates and periods in accordance with Article II hereof;
  - (ii) keep such books and records as shall be consistent with prudent industry practice; and
  - (iii) use its best efforts to remarket 2008 Bonds in accordance with the Indenture and the terms hereof.

The Remarketing Agent shall hold all amounts received by it in accordance with any remarketing of 2008 Bonds pursuant to the Indenture in trust only for the benefit of the Owners of tendered 2008 Bonds and shall not commingle such amounts with any other moneys.

- (b) Each Remarketing Agent shall be (i) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$50,000,000, and (ii) authorized by law to perform all the duties imposed upon it by the Indenture and the Remarketing Agreement.
- (c) Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 30 days' written notice to the Authority and the Trustee (with a copy of such notice mailed by certified mail to each of the 2008 Bond owners). A Remarketing Agent may be removed at any time at the direction of the Authority, by an instrument signed by the Authority and filed at least 30 days prior to such removal with the Remarketing Agent, the Credit Provider and the Trustee.

- (d) Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Remarketing Agent under the Indenture.
- (e) In the event that the Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority shall not have appointed its successor within thirty (30) days, the Trustee shall apply to a court of competent jurisdiction for such appointment.

Appointment of Trustee. The Bank of New York Trust Company, N.A., in San Francisco, California, a national banking association organized and existing under the laws of the United States, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Authority agrees that it will maintain a Trustee having a corporate trust office in California, with a combined capital and surplus, or in the case of a bank or trust company which is a member of a bank holding company system, the related bank holding company shall have a combined capital and surplus, of at least One Hundred Million Dollars (\$100,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for this purpose the combined capital and surplus of such bank or trust company or bank holding company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is authorized to pay the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged.

Notice to Bond Owners of Default. If an Event of Default under the Indenture occurs with respect to any Bonds, of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee shall promptly give written notice thereof by first-class mail to the Bank and the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Authority to make any payment of principal and interest when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

Removal of Trustee. The Bank (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank) or the Owners of a majority in aggregate principal amount of the Outstanding Bonds may at any time, and the Authority may so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee (where applicable), whereupon the Authority, the Bank or such Owners, as the case may be, shall appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements set forth in the Indenture.

Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving thirty (30) days' written notice by registered or certified mail to the Authority. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail to the Bond Owners at their respective addresses set forth on the Bond Registration Books. No resignation of the Trustee shall take effect until a successor is appointed and has accepted.

# **EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS**

Events of Default. The following events shall be Events of Default under the Indenture:

- (a) Default in the due and punctual payment of the principal of any 2008 Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;
- (b) Default in the due and punctual payment of any installment of interest on any 2008 Bond when and as such interest installment shall become due and payable;
- (c) Default by the Authority in the observance of any other of the covenants, agreements or conditions on its part in the Indenture or in any Parity Bonds Instrument or in the 2008 Bonds contained, and such default shall have continued for a period of sixty (60) days after the Authority shall have been given notice in writing of such default by the Trustee; or
- (d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.
- (e) Default by the Authority or Participants in the observance of any of the covenants, agreements or conditions on their part in the Funding Agreement, and such default shall have continued for a period of thirty (30) days after the Authority or the Participants shall have been given notice in writing of such default by the Trustee.
- (f) If the Bank gives written notice to the Trustee that an event of default has occurred and is continuing under the Reimbursement Agreement and instructing the Trustee to accelerate the 2008 Bonds.

Remedies; Rights of Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding 2008 Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture and the Funding Agreement.

In the case of an Event of Default under (f) above, payment shall be made within 7 Business Days of receipt of the notice of default from the Bank. Any other provisions of the Indenture notwithstanding, the Trustee shall not be entitled to require indemnification as a precondition to declaring the principal and interest on the 2008 Bonds immediately due and payable or to drawing upon the Credit Facility pursuant to this section.

Notwithstanding any other provision of the Indenture, the Trustee may not declare an event of default, accelerate the Bonds or exercise any remedy above without the written consent of the Bank (so long as the Credit Facility is in effect and the Bank has not dishonored any properly presented and conforming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank).

If an Event of Default shall have occurred and be continuing and if requested so to do by the Bank or the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding 2008 Bonds and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such

one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Owners under the Indenture or now or hereafter existing at law or in equity.

Notwithstanding any other provision of the Indenture, the Trustee may not declare an event of default, accelerate the 2008 Bonds or exercise any remedy above without the written consent of the Bank (so long as the Credit Facility is in effect and the Bank has not dishonored any properly presented and conforming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank). In the event of an acceleration of the due date of the 2008 Bonds, interest shall cease to accrue upon declaration of acceleration and the acceleration may be waived if the Trustee receives written notice from the Bank that the Credit Facility has been fully reinstated.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Rights and Remedies of Owners. No Owner of any 2008 Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the 2008 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2008 Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of 2008 Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Owners of the Outstanding 2008 Bonds.

The right of any Owner of any 2008 Bond to receive payment of the principal of and interest and premium (if any) on such 2008 Bond as in the Indenture provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this section or any other provision of the Indenture.

# **DISCHARGE OF INDENTURE**

<u>Discharge of Indenture</u>. If the Authority shall pay and discharge any or all of the Outstanding 2008 Bonds in the Long-Term Rate Period and the interest installments therefor at the maturity or redemption date thereof, or for any other 2008 Bonds in any Interest Period (except for any Long-Term Rate Period through maturity) on the first available call or tender date (which shall include both optional or mandatory tenders) by setting aside moneys in any one or more of the following ways, which are held by the Trustee for the payment or redemption of any 2008 Bonds, such 2008 Bonds shall be deemed to be paid:

- (a by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such 2008 Bonds, 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 available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay such 2008 Bonds, including all principal, interest and redemption premiums; or
- (c) by depositing with a qualified escrow holder, in trust, Defeasance Obligations in such amount as the Authority (verified by an Independent Certified Public Accountant) shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the Funds and Accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such 2008 Bonds (including all principal, interest and redemption premiums, if any) at or before their respective Maturity Dates; and if such 2008 Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the requirement of the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the election of the Authority, and notwithstanding that any of such 2008 Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such 2008 Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such 2008 Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such 2008 Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee.

Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Authority.

Refunding bonds may be issued at any time without regard to whether an Event of Default exists.

To accomplish defeasance the Authority shall cause to be delivered (i) a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the 2008 Bonds in full on the maturity or earlier redemption date ("Verification"), (ii) an escrow deposit agreement, and (iii) an opinion of nationally recognized bond counsel to the effect that the 2008 Bonds are no longer "Outstanding" under the Indenture; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority and the Trustee.

Any defeasance of the 2008 Bonds during a Weekly Rate Period, Daily Rate Period, Commercial Paper Rate or Auction Rate shall be computed assuming interest is payable at the applicable Maximum Rate to the earliest prepayment date or tender date, or alternatively, written confirmation shall be obtained from S&P that the rating on such 2008 Bonds will not be withdrawn or reduced as a result of the escrow.

# **APPENDIX B**

# FORM OF BOND COUNSEL OPINION

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South Placer Wastewater Authority 2005 Hilltop Circle Roseville, California 95747

OPINION: \$165,354,000 South Placer Wastewater Authority Variable Rate Demand

Refunding Wastewater Revenue Bonds, Series 2008A & 2008B

#### Members of the Board:

We have acted as bond counsel in connection with the issuance by the South Placer Wastewater Authority (the "Authority") of the \$165,354,000 South Placer Wastewater Authority Variable Rate Demand Refunding Wastewater Revenue Bonds, Series 2008A and Series 2008B (collectively, the "Bonds"), pursuant to Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Bond Law"), an Indenture of Trust, dated as of April 1, 2008, by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Indenture"), and a resolution (the "Resolution") of the Board of Directors of the Authority adopted on March 14, 2008. 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 Authority contained in the Indenture 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 the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority is duly created and validly existing as a joint exercise of powers agency with the power to enter into the Indenture, perform the agreements on its part contained therein and issue the Bonds.

- 2. The Indenture has been duly approved by the Authority and constitutes a valid and binding obligation of the Authority enforceable upon the Authority.
- 3. Pursuant to the Bond Law, the Indenture creates a valid lien on the Revenues pledged by the Indenture for the security of the Bonds, as described in the Indenture.
- 4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Indenture.
- 5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.
- 6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

### **APPENDIX C**

### **BOOK-ENTRY SYSTEM**

DTC will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2008 Bond will be issued for the Series 2008 Bonds, in the aggregate principal amount of such issue, and will be deposited with the Trustee as custodian for DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC 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 has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission ("SEC"). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2008 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2008 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2008 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2008 Bond documents. For example, Beneficial Owners of Series 2008 Bonds may wish to ascertain that the nominee holding the Series 2008 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them. THE AUTHORITY, THE PARTICIPANTS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO

SUCH DIRECT AND INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2008 BONDS.

Redemption notices will be sent to DTC. If less than all of the Series 2008 Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2008 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

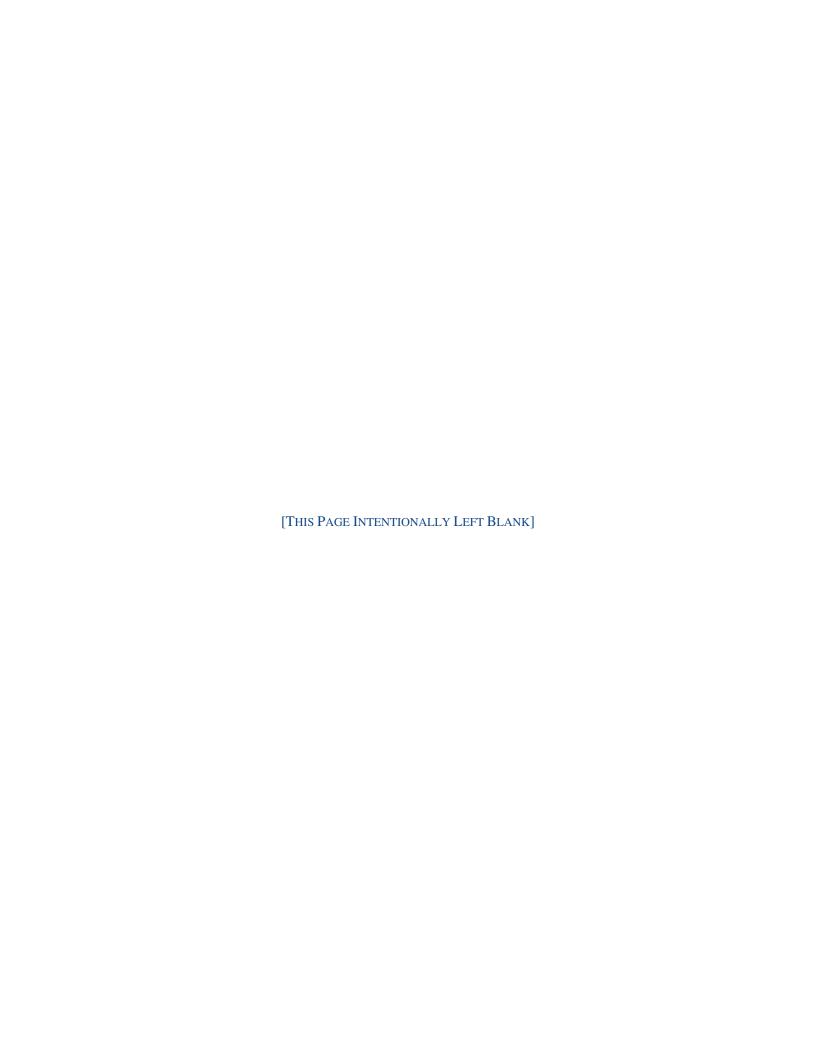
A Beneficial Owner will give notice to elect to have its Series 2008 Bonds purchased or tendered, through its Participant, to the Trustee, and will effect delivery of such Series 2008 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2008 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2008 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2008 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2008 Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2008 Bonds at any time by giving reasonable notice to the Authority or the Trustee. In addition, the Authority, at the direction of the Borrower, may terminate, upon provision of notice to the Trustee, the Remarketing Agent and the Tender Agent, the services of DTC with respect to the Series 2008 Bonds. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2008 Bonds are required to be printed and delivered as described in the Indenture.

THE AUTHORITY, THE TRUSTEE, THE PARTICIPANTS AND THE UNDERWRITER SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT OR INDIRECT PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE SERIES 2008 BONDS UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2008 BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2008 BONDS; ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS AN OWNER; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. (OR SUCH OTHER NOMINEE AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) IS THE REGISTERED OWNER OF THE SERIES 2008 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS OR OWNERS OR REGISTERED HOLDERS OR REGISTERED OWNERS OF THE SERIES 2008 BONDS MEANS CEDE & CO., AS AFORESAID, AND DOES NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2008 BONDS.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2008 Bonds, payment of principal, interest and other payments on the Series 2008 Bonds to Direct and Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2008 Bonds and other related transactions by and between DTC, the Direct and Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the Direct nor Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC.



### APPENDIX D

### CERTAIN INFORMATION CONCERNING STATE STREET

The following information concerning State Street has been provided by representatives of State Street and has not been independently confirmed or verified by the Underwriter or the Authority. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

State Street Bank and Trust Company (the "Bank") is a wholly-owned subsidiary of State Street Corporation (the "Corporation"). The Corporation (NYSE: STT) is a leading specialist in providing institutional investors with investment servicing, investment management and investment research and trading. With \$15.30 trillion in assets under custody and \$1.98 trillion in assets under management, the Corporation operates in 26 countries and more than 100 markets worldwide. The assets of the Bank at December 31, 2007 accounted for approximately 94% of the consolidated assets of the Corporation. At December 31, 2007, the Corporation had total assets of \$142.54 billion, total deposits (including deposits in foreign offices) of \$95.79 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately \$15.8 billion and total equity capital of \$11.30 billion.

The Bank's Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2007, as submitted to the Federal Reserve Bank of Boston, are incorporated by reference in this Appendix and shall be deemed to be a part hereof.

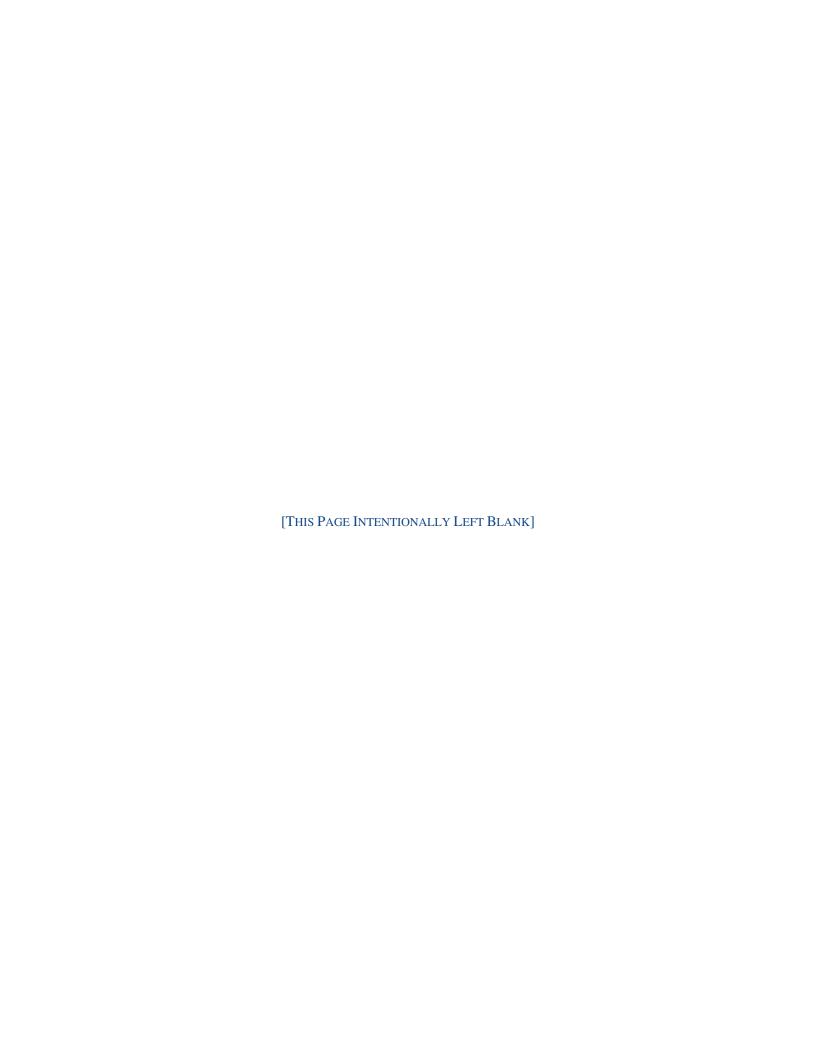
In addition, all reports filed by the Bank pursuant to 12 U.S.C. §324 after the date of this Official Statement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to the Corporation and the Bank is set forth in the Corporation's Annual Report or Form 10-K for the year ended December 31, 2007. The annual report can be found on the Corporation's web site, *www.statestreet.com*. Such report and all reports filed by the Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The Reimbursement Agreement is an obligation of the Bank and not of the Corporation.

Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Bank hereby undertakes to provide, without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

Neither the Bank nor its affiliates make any representation as to the contents of this Official Statement (except as to this Appendix to the extent it relates to the Bank), the suitability of the Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations.



## **APPENDIX E**

## CERTAIN INFORMATION CONCERNING CALSTRS

The following information concerning CalSTRS has been provided by representatives of CalSTRS and has not been independently confirmed or verified by the Underwriter or the Authority. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

California State Teachers' Retirement System (CalSTRS) is a component unit of the State of California, organized and operating under the laws of the State of California, including the Teachers' Retirement Law, constituting Part 13 of Division 1 of Title 1 of the Education Code of the State of California, commencing at Section 22000 (Law), as amended. The Law establishes the Teachers' Retirement Board (Board), which has the sole and exclusive fiduciary responsibility over the administration and investment of funds held in the Teachers' Retirement Fund (Fund), in which the bulk of the assets of CalSTRS are held. School districts and other agencies employing members of CalSTRS are required to make monthly contributions to the Fund in an amount equal to 8.25% of the total of the salaries upon which members' contributions are based. All full-time certificated employees in the public school system from kindergarten through the community college level are required by law to be members of CalSTRS. CalSTRS provides defined retirement, survivor and disability benefits to all members based on the final compensation attained by the member, the age of retirement and the term of service, and other factors.

Financial data for June 30, 2006 are taken from the audited financial statements presented in CalSTRS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. Financial data for fiscal years ended after 2006 presented in CalSTRS' CAFR for such fiscal years are incorporated by reference in this section and shall be deemed to be a part hereof.

As of June 30, 2006, the Fund had net assets held in trust for pension benefits with a market value of approximately \$144.2 billion, compared to approximately \$129.5 billion as of June 30, 2005. As of January 31, 2008, total investment assets had a market value of approximately \$166.5 billion (unaudited).

CalSTRS is independently rated "AA+/A-1+" by Standard and Poor's, a Division of the McGraw-Hill Companies, Inc. (S&P), "Aaa/VMIG1" by Moody's Investors Service, and "AAA/F1+" by Fitch Ratings.

CalSTRS will provide without charge, upon request, a copy of its CAFR for the fiscal year ended June 30, 2006, which contains its financial statements for the years ended June 30, 2006 and 2005. Requests to CalSTRS for the most recent CAFR should be directed by mail to State Teachers' Retirement System, P.O. Box 163740, Sacramento, California 95816-3710, Attention: Credit Enhancement Program, or by email to cepinquiries@calstrs.com. The most recent CAFR and other information regarding CalSTRS can be viewed at www.calstrs.com.

The foregoing information has been provided by CalSTRS and is not intended to serve as a representation, warranty, or contract modification of any kind.

