



AGENDA

JOINT MEETING OF THE CHINO BASIN REGIONAL FINANCING AUTHORITY (CBRFA) COMMISSIONERS AND THE INLAND EMPIRE UTILITIES AGENCY (IEUA) BOARD OF DIRECTORS

WEDNESDAY, DECEMBER 21, 2016

9:00 A.M.

(PLEASE NOTE CHANGE IN TIME)

**INLAND EMPIRE UTILITIES AGENCY*
AGENCY HEADQUARTERS
6075 KIMBALL AVENUE, BUILDING A
CHINO, CALIFORNIA 91708**

CALL TO ORDER

OF THE JOINT MEETING OF THE CHINO BASIN REGIONAL FINANCING AUTHORITY AND THE INLAND EMPIRE UTILITIES AGENCY

FLAG SALUTE

PUBLIC COMMENT

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Board Secretary a "Request to Speak" form which are available on the table in the Board Room. Comments will be limited to five minutes per speaker. Thank you.

ADDITIONS TO THE AGENDA

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

- 1. MANDATORY PRESENTATION – DISCLOSURE RESPONSIBILITIES UNDER
THE FEDERAL SECURITIES LAWS – Mr. Doug Brown, Stradling, Attorneys
at Law**

2. ACTION ITEMS

A. MINUTES

It is recommended that the Board approve the minutes from November 16, 2016, Chino Basin Regional Financing Authority meeting.

B. ADOPTION OF RESOLUTIONS AUTHORIZING THE ISSUANCE OF 2017A REFUNDING REVENUE BONDS AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

It is recommended that:

1. The Commissioners of the Chino Basin Regional Financing Authority adopt Resolution No. 2016-8 authorizing the issuance of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (2017A Bonds) in the principal amount not-to-exceed \$125,000,000 and approve the execution and delivery of certain documents in connection therewith and certain other matters; and
2. The Board of Directors of the Inland Empire Utilities Agency adopt Resolution No. 2016-12-2 authorizing the issuance of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (2017A Bonds) in the principal amount not-to-exceed \$125,000,000 and approve the execution and delivery of certain documents in connection therewith and certain other matters.

3. ADJOURN

*A Municipal Water District

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 993-1736, 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Proofed by: 

Declaration of Posting

I, April Woodruff, Board Secretary of the Inland Empire Utilities Agency*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, December 15, 2016.

on behalf
of 
April Woodruff

PRESENTATION

Presentation to Inland Empire Utilities Agency

Disclosure Responsibilities Under the Federal Securities Laws

**Presented by:
Doug Brown**

Why Is Disclosure Necessary?

- **The Agency issues securities in the public capital markets**
- **Investors in municipal securities have rights under federal securities laws**
- **All “material” information must be disclosed**

The Securities Act Of 1933

- **1933 Act has two substantive rules:**
 - Registration requirement
 - Antifraud rule
- **Municipal securities are exempt from the registration requirement, but are subject to antifraud rule**
- **Section 17(a)(2) prohibits any person from, directly or indirectly, obtaining money or property by means of any untrue statement of a material fact or by a misleading omission.**
- **Negligent conduct can trigger liability under Section 17(a)(2)**

Securities Exchange Act Of 1934

Rule 10b-5

- **1934 Act creates ongoing disclosure requirements for public companies**
- **Regulates brokers and dealers**
- **Also contains antifraud provisions**
- **1975 amendments to 1934 Act made it clear that antifraud provisions apply to government issuers**

Rule 10b5

“It shall be unlawful for any person . . .

- a) To employ any device, scheme or artifice to defraud,**
- b) To make any untrue statement of a material fact or to omit to state a *material* fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading”**

The “Materiality” Standard

- “[w]hether or not there is a substantial likelihood that a reasonable investor or prospective investor would consider the information important in deciding whether or not to invest.”
- Materiality is determined in context of all the facts and circumstances, but usually on a retroactive basis
- Guidance comes primarily from court decisions and SEC enforcement cases. In a recent voluntary “self-reporting” program, SEC staff consistently refused to provide advance guidance on what constitutes a “material” misstatement of facts

Levels Of Culpability

- **Negligence (Rule 17(a)(2))**
- **Recklessness (Rule 17(a)(2) or Rule 10b-5)**
- **Intent to defraud (“scionter”) (Rule 17(a)(2) or Rule 10b-5)**

What Should Be Disclosed?

- **Unlike corporate securities, there is no “line item” set of rules for what goes into an Official Statement (“OS”)**
- **Starting in 1975, leaders in municipal market created a set of Guidelines for O.S. content**
- **Other groups have suggested disclosure for particular market segments**
- **Look at practices in the industry; recent developments (e.g. New Jersey, Pension, Continuing Disclosure Compliance)**
- **In the end, the Agency must use its own good judgment**

When Do Disclosure Rules Apply?

- **New offerings**
- **Annual Report under Rule 15c2-12**
- **Any other circumstance where an Issuer is “speaking to the market”**
 - **At this time, securities law does not impose a requirement to update or correct any statement previously made, if there is no other reason to be making a statement to the market**

Content of Annual Reports

- **Audited Financial Reports**
- **Information (i.e. tables) identified in Continuing Disclosure Undertaking**
- **Additional voluntary information**
- **Consider Rule 10b5 implications – is there more you should be saying?**
- **Has anything happened since the date of the audited financial reports that has materially impacted your financial condition?**

Investor Communications

- **No securities law obligation to communicate with individual investors**
- **Tension between market (and SEC) desire for transparency, and potential issuer liability**
- **No corollary to Regulation FD (requiring public companies to disseminate specified information which it provides to any investor)**
- **Establish a single point of contact**

Speeches/Presentations

- **May be “speaking to the market”**
- **Depends on subject matter and audience**

Agency Disclosure

- **Official Statement is offering document to investors**
- **Must contain all material information for the particular bond sale**
- **Underwriters, financial advisers and lawyers can help develop the Official Statement but the Agency is ultimately responsible for content**

Disclosure Principles

- **Broad description of Agency's financial and economic condition**
- **Description of budget process, major revenue sources and expenditure programs**
- **Information on recent and current budgets – “structural” deficit?**
- **Information on debt – types and amounts**
- **Information on derivatives**
- **Litigation**

Disclosure Principles

- **Description of enterprise**
- **Description of capital improvement program**
- **Historical and projected revenues, expenses and debt service coverage**
- **Rate covenant and additional bonds test**
- **Regulatory issues**
- **Information on debt – types and amounts**
- **Information on derivatives**
- **Litigation**

Disclosure Principles – (cont.)

- **Provide main points but do not overwhelm readers with detail**
- **Highlight important developments “up front”**
- **Determine appropriate level of importance for any particular event or budgetary item**
- **Bringing all these factors together into final product is ongoing process of give and take**

Timing Considerations For Bond Sale

- **Progression of an offering**
 - POS/sale/final OS/closing
- **Supplements are possible**
 - Very rare and disruptive after sale
- **Be mindful of public actions or releases likely to occur**
 - State budget, Agency budget, mid-year reports
 - Permit issuance (for revenue issuers)

Process

- **Input from involved staff;**
- **Empower staff at all levels;**
- **Agency coordinates;**
Counsel helps pull information together and maintains document
- **Drafts reviewed by working group**
- **“Due diligence” meeting before distribution of Preliminary Official Statement**

Current Hot Topics

- **Water supply and Impact of Drought**
- **Status of fund balance and reserves**
- **Rate coverage calculation**
- **Expected increases in retirement related payments; unfunded liabilities (pension and OPEB)**
- **Continuing Disclosure Compliance**

Disclosure Considerations

- **Tomorrow’s “hot topic” may be different than today’s**
- **Disclosure must evolve to reflect changing circumstances**
- **Read the disclosure with “fresh eyes”**
- **If you think something may be a concern, raise the issue with colleagues and the working group**
- **There are no “stupid questions”**
- **Political sensitivity and confidentiality considerations are not exceptions to disclosure**

Current SEC Initiatives

- **Enforcement Division Unit created in 2010 to focus on Municipal Bonds and Pension Funds – 25 attorneys around the country – most are former prosecutors.**
- **Dodd-Frank Act has given SEC new power to obtain fines in administrative (“cease and desist”) actions**
- **All this reflects long-standing agenda to move municipal market closer to corporate market standards, particularly for ongoing disclosure**
- **Following slides show how active the SEC has been in recent years. A “settled” case means the charged party or parties agreed, without admitting or denying liability, to entry of an order to “cease and desist” from future violations of securities laws.**

Topics of Recent SEC Enforcement Actions

- **Inadequate Pension Disclosures**

- City of San Diego (2006)
- State of New Jersey (2010)
- State of Illinois (2013)
- State of Kansas (2014)
 - ✓ In these cases, SEC focused on failure to disclose funding shortages and the potential impact pension funding pressures would have on future budgetary flexibility, as well as misstatements on remedial plans.
 - ✓ SEC also highlighted lack of training and internal procedures which resulted in disclosure lapses.

Recent Enforcement Actions (cont.)

- **Misleading or Incomplete Financial Disclosures**
 - City of Miami II – interfund transfers to mask budget gaps allegedly not disclosed; City and budget director are contesting SEC charges in court (2013)
 - Victorville, CA – alleged inflated valuation of property in taxing district, other conflicts of interest; issuer and individuals are contesting charges in court (2013)
 - City of Allen Park, MI – failure to disclose budget gap; settled (2014)

Recent Enforcement Actions (cont.)

- Town of Ramapo, NY – officials over many years allegedly hid financial strain and deficits caused by baseball stadium project as well as declining sales and property tax revenues; two officials charged with “controlling person” liability and also charged in a separate criminal case; they and two other officials charged by SEC with “aiding and abetting” violations; defendants contesting in court (2016)
- Westlands Water District SEC alleged that District undertook extraordinary accounting transaction to meet debt service coverage. SEC also alleged that District did not disclose a prior period accounting adjustment which would have adversely affected debt service coverage. No allegation that the accounting was improper. District, General Manager and Chief Financial Officer all entered into settlements in which they neither admitted nor denied allegations but paid fines of \$125,000, \$50,000 and \$20,000, respectively.

Recent Enforcement Actions (cont.)

- **Failed Economic Development Projects**
 - Greater Wenatchee Regional Events Center, WA – did not disclose prior, less favorable projections; project failed to generate expected revenues; settled (2013)
 - City of Allen Park, MI – failure to disclose collapse of movie studio project which was expected to generate revenue to cover budget gaps; settled (2014)
 - City of Harvey, IL – nondisclosure of failed hotel project; also fraud by City Controller; settled (2014)
 - Rhode Island Economic Development Corp. – alleged failure to disclose funding shortfall for startup software company; two officials settled; issuer and underwriter contesting (2016)
 - Also see Ramapo, NY, above – baseball stadium

Recent Enforcement Actions (cont.)

- **Failures of Continuing Disclosure**
 - City of Harrisburg, PA – misleading statements and omissions about City’s budget problems in public statements by officials because City had not made required annual financial filings; settled (2013)

Increasingly Aggressive Actions by SEC in Recent Years

- **Filings against States: N.J., Illinois, Kansas**
- **Levying fines against issuers: Wenatchee, Westlands**
- **Increasingly charging issuer officials along with the issuer: Miami, Allen Park, Harvey, Wenatchee, Victorville, Westlands, RIEDC, Ramapo**
- **Levying fines against individual defendants: San Diego, Allen Park, Harvey, Westlands, RIEDC**
- **Officials barred from future involvement in municipal finance: Allen Park, Harvey; sought in Ramapo**

Increasingly Aggressive Actions by SEC in Recent Years (cont.)

- **Official who did not participate in bond deal charged as “controlling person” because he directed actions of others: Allen Park; Ramapo**
- **Individuals charged with “aiding and abetting” securities law violations: RIEDC, Ramapo**
- **Criminal charges against issuer officials: Ramapo**
- **Charging securities law violations in a situation which did not involve a bond offering: Harrisburg**
- **Most settlements require implementation of remedial actions and training; in some cases issuer required to hire outside disclosure counsel for a period of years (Harvey, sought in Ramapo)**

Focus on Continuing Disclosure

- **MCDC Initiative**

- Announced in March 2014 by SEC and designed to encourage issuers and underwriters to self report certain violations of federal securities laws for situations like West Clark; reporting deadlines in late 2014.
- Focus on whether an offering document was materially accurate with respect to compliance with continuing disclosure undertakings
- SEC offered standardized, favorable settlement terms for underwriters and issuers who self-reported; no fines for issuers
- SEC completed settlements with 72 underwriters in three waves and settlement offers for self-reporting issuers have begun
- After SEC warnings in 2010 and 2012, underwriters had increased their examination of CDU compliance, but results of MCDC seemed to show there was still widespread noncompliance

Consequences of Bad Disclosure

- **SEC Investigation – fees for lawyers and consultants**
- **Adverse publicity**
- **Personal Fines**
- **May have to impose new procedures and oversight to settle SEC actions**
- **Rating Downgrades (triggers increased credit/liquidity provider fees)**

Summary

- **Full and transparent disclosure is essential**
- **Investors must be provided all material information when making their investment decision**
- **Officials participating in the disclosure process must be in a position to know material information (i.e., “the right people must be in the room”)**
- **Vigorous disclosure program requires buy-in and encouragement from top levels**
- **Empower everyone in the organization**
- **When in doubt, disclose**
- **The Agency must be vigilant in training involved officials and maintaining rigorous disclosure practices**

**ACTION
ITEM**

2A



**MINUTES OF THE
JOINT MEETING OF THE
CHINO BASIN REGIONAL FINANCING AUTHORITY (CBRFA)
COMMISSIONERS
AND THE
INLAND EMPIRE UTILITIES AGENCY (IEUA)
BOARD OF DIRECTORS**

**WEDNESDAY, NOVEMBER 16, 2016
10:00 A.M.**

IEUA DIRECTORS PRESENT:

Terry Catlin, President
Michael Camacho, Vice President
Steven J. Elie, Secretary/Treasurer
Jasmin A. Hall
Paul Hofer

CBRFA COMMISSIONERS PRESENT:

Terry Catlin, President
Michael Camacho
Steven J. Elie, Secretary
Jasmin A. Hall, Vice President
Paul Hofer

STAFF PRESENT:

P. Joseph Grindstaff, General Manager
Chris Berch, Executive Manager of Engineering/AGM
Martha Davis, Executive Manager of Policy Development/AGM
Randy Lee, Executive Manager of Operations/AGM
Christina Valencia, Chief Financial Officer/AGM
Blanca Arambula, Deputy Manager of Human Resources
Kathryn Besser, Manager of External Affairs
Chad Bonnet, Electrical & Instrumentation Technician I
Jerry Burke, Deputy Manager of Engineering
Sharmeen Bhojani, Manager of Human Resources
Andy Campbell, Groundwater Recharge Coordinator/Hydrogeologist
Javier Chagoyen-Lazaro, Manager of Finance and Accounting
Tina Cheng, Budget Officer
Roberto Delgado, Deputy Manager of Maintenance
Javier Gallegos, Electrical & Instrumentation Technician I
Jason Gu, Grants Officer
Joel Ignacio, Senior Engineer
Sylvie Lee, Manager of Planning and Environmental Resources
Jason Marseilles, Senior Engineer
Lisa Morgan-Perales, Senior Water Resources Analyst
Jeff Noelte, Manager of Technical Services
Jason Pivovarov, Senior Engineer

Jesse Pompa, Senior Engineer
John Scherck, Acting Deputy Manager of Engineering
Peter Soelter, Senior Internal Auditor LT
Shaun Stone, Manager of Engineering
Ken Tam, Senior Associate Engineer - PE
Al VanBreukelen, Deputy Manager of Maintenance
Teresa Velarde, Manager of Internal Audit
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT:

Doug Brown, Stradling Yocca Carlson & Rauth
Jan Catiin
Dan Chadwick, City of Fontana
Jean Cihigoyenette, JC Law Firm
Vivian Castro, CBWCD
Tony Mata, City of Fontana
Tyler Old, PFM

A joint meeting of the Chino Basin Regional Financing Authority Commissioners and Inland Empire Utilities Agency* Board of Directors was held at the office of the Agency, 6075 Kimball Avenue, Bldg. A, Chino, California on the above date.

President Catlin called the meeting to order at 10:03 a.m., and he led the pledge of allegiance to the flag. A quorum was present.

President Catlin stated that members of the public may address the Board. There was no one desiring to do so.

President Catlin asked if there were any changes/additions/deletions to the agenda. He stated that Presentation Item 1. Disclosure Responsibilities under the Federal Securities Laws; and Action Item 2B. Adoption of Resolutions Authorizing the Issuance of 2017A Refunding Revenue Bonds and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters, are pulled from the Agenda, and will be postponed to another Chino Basin Regional Authority (CBRFA) and IEUA Board meeting. He asked Chief Financial Officer/AGM Christina Valencia to provide a brief update as to why and the time sensitivity of this issue.

Chief Financial Officer/AGM Christina Valencia stated that the Agency received a request late yesterday afternoon from the member agencies, in particular, the Regional Technical Committee, to defer this item until the Agency has an opportunity for formally brief the Regional Policy Committee (Committee). She reported that Agency staff has advised the Committee members of the Agency's plan to defease the bonds over a five-year period beginning in 2017. She said that since then, the Agency decided to accelerate the process in order to leverage the low rates. She reported that Agency staff has advised the Committee members as well, but has not formally presented this item to the Regional Policy Committee. She stated that the Committee members respectfully asked that the Agency defer this item until they have a chance to meet and provide some recommendation. Ms. Valencia said that the Agency's Bond Counsel and Financial Advisor are here today, and she has discussed this with them and General Manager Joe Grindstaff. She stated it was determined that there is no risk at this point, for the Agency to call a meeting of both Committees prior to the December 21, CBRFA and IEUA Board meeting. She stated, therefore, both the Action Item and the mandatory training presentation, which is associated with this item will be pulled until December, and will be brought back to the CBRFA and the IEUA Board at the December 21, Board meeting.

Director Elie noted that he is okay with deferring this item; however, he does not want this to drag on, given the uncertainty of the market, especially after the presidented inauguration.

1. **MANDATORY PRESENTATION – DISCLOSURE RESPONSIBILITIES UNDER THE FEDERAL SECURITIES LAWS – Mr. Doug Brown, Stradling, Attorneys at Law**

This item was pulled from the Agenda, and deferred to the December 21, CBRFA and IEUA Board meeting.

2. **ACTION ITEMS**

MINUTES

Upon motion by Commissioner/Director Elie, seconded by Commissioner/Director Camacho, with Commissioner/Director Hofer abstaining from voting, the motion carried (4-0):

M2016-11-1

MOVED, to approve the minutes from September 21, 2016, Chino Basin Regional Financing Authority meeting.

ADOPTION OF RESOLUTIONS AUTHORIZING THE ISSUANCE OF 2017A REFUNDING REVENUE BONDS AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

No action was taken. This item was pulled from the Agenda, and deferred to the December 21, CBRFA and IEUA Board meeting.

SELECTION OF UNDERWRITER

Chief Financial Officer/AGM Christina Valencia stated that in preparation for the upcoming refunding of the 2008A Revenue Bonds, expected to occur in January 2017, a Request for Proposal (RFP) was issued for underwriting services. She reported that of the six firms responding to the RFP, based upon evaluation by both PFM, the Agency's financial advisor and staff, Citi, J.P. Morgan and Morgan Stanley, were elevated as the top three proposers. Ms. Valencia stated that after reviewing further criteria, staff, with the support of PFM, recommended Citi as the sole underwriter for the proposed refunding. She stated that Citi's in depth knowledge of the Agency and the Inland Empire region will help the Agency to more effectively highlight the Agency's fundamental strengths and the fiscal policies the IEUA Board has implemented. She stated that one of the things that the Agency would like to accomplish during this process is to seek an upgrade for a credit rating from Moodys. She said that they have not actually rated that Agency since 2010, and Citi could guide the Agency going forward with the rating. Ms. Valencia stated that staff's recommendation is to select Citi as the sole underwriter for the proposed refunding of the 2008A Revenue Bonds.

General Manager Joseph Grindstaff stated the point of doing this partial pay down of \$50 million and refinancing of \$75 million combined, the exact amounts still to be determined, is estimated to save the Agency approximately \$20 million over the life of the bonds.

Upon motion by Commissioner/Director Elie, seconded by Commissioner/Director Hofer, and unanimously carried:

M2016-11-3

MOVED, to approve the selection of Citigroup Global Markets, Inc. (Citi) as sole managing underwriter for the advance refunding of the Chino Basin Regional Financing Authority, Series 2008A Revenue Bonds (Inland Empire Utilities Agency).

With no further business, President Catlin adjourned the meeting at 10:13 a.m.

Steven J. Elie, Secretary/Treasurer

APPROVED: DECEMBER 21, 2016 (IEUA)

**ACTION
ITEM**

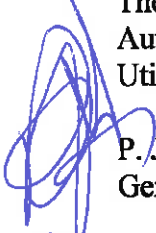
2B





Inland Empire
UTILITIES AGENCY

Date: December 21, 2016

To: The Honorable Commissioners of the Chino Basin Regional Financing Authority and the Honorable Board of Directors of the Inland Empire Utilities Agency

From:  P. Joseph Grindstaff
General Manager

Submitted by:  Christina Valencia
Chief Executive Officer/AGM

 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: Adoption of Resolutions Authorizing the Issuance of 2017A Refunding Revenue Bonds and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters

RECOMMENDATION

It is recommended that:

1. The Commissioners of the Chino Basin Regional Financing Authority adopt Resolution No. 2016-8 authorizing the issuance of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (2017A Bonds) in the principal amount not-to-exceed \$125,000,000 and approve the execution and delivery of certain documents in connection therewith and certain other matters.
2. That the and the Board of Directors of the Inland Empire Utilities Agency adopt Resolution No. 2016-12-2 authorizing the issuance of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (2017A Bonds) in the principal amount not-to-exceed \$125,000,000 and approve the execution and delivery of certain documents in connection therewith and certain other matters

BACKGROUND

In January 2008, the Authority issued \$125,000,000 in Chino Regional Financing Authority Revenue Bonds, Series 2008A (Inland Empire Utilities Agency) at a fixed annual interest rate of 5% and a final maturity date of November 1, 2038. The 2008A Bonds were issued to refinance \$50,160,000 in outstanding commercial paper notes and to issue new bonds to finance

Adoption of Resolutions for Bonding Documents

December 21, 2016

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certain wastewater and recycled water capital projects as contained in the Agency's Ten Year Capital Improvement Plan (TYCIP). The Agency's bond counsel, Mr. Doug Brown from Stradling Yocca Carlson & Rauth, has been preparing the financing documents necessary to allow for the refinancing of up to a par amount of \$125 million.

Substantially final drafts of the financing documents have been prepared. Approval of Resolution Nos. 2016-8 by the Commissioners and 2016-12-2 by the Board will approve these documents in substantial form, authorize execution of the documents by the indicated officers, and authorize the President, Vice President, Treasurer, or Secretary to execute a Purchase Agreement with the bond underwriter, subject to certain parameters. These parameters include a limit on the amount of the bonds of \$125,000,000 and a limit on the underwriter's discount to a maximum of 0.35% of the principal amount of bonds.

ISSUES/ANALYSIS

Included in the Agency's financial plan, was the early repayment of the 2008A Bonds over a five year period (\$25 million per year) beginning in November 2017 through 2021. Under the current amortization schedule, debt service payments for the 2008A Bonds are limited to interest only of \$6,250,000 per year through 2022. Principal payments for the 2008A Bonds were aligned to begin in 2023 following the maturity of the outstanding senior bonds (1994 Revenues Bonds later refunded with the 2010A Bonds, and the 2005A Bonds). By deferring the payment of principal until 2023, debt service costs were maintained, relieving pressure on rates and charges. The 2008A Bonds are callable for the first time in November 2017.

However, with municipal interest rates still near the lowest on record, it has been determined that potential present value (PV) savings for refunding the 2008A Bonds may exceed \$20 million, or over 15% percent of the outstanding principal, depending on the refinancing structure and market conditions at the point of sale of the new bonds. In evaluating the opportunities to refinance and/or pay down the 2008A Bonds, staff considered four scenarios;

Scenario	Name	Pay Down Funded with Cash	Estimated Savings (Gross)
1	Baseline/Do nothing	\$-	None
2	5 Year Pay Down	\$125 million	\$83 million
3	Partial Refinancing/ Cash Pay Down	\$50 million	\$62 million
4	Full Refinancing	\$-	\$23 million

Each scenario was evaluated on how it best met the following key objectives:

- Ensure operational and financial stability
- Reduce debt service costs
- Prudent use of available cash reserves
- Ensure debt capacity to support future capital requirements

All of the key objectives were best achieved by Scenario 3: Partial Refunding/Cash Defeasance. Under Scenario 3;

- Use of available cash reserves earning ~1% interest to pay down 5% interest debt provides significant savings
- Refinancing of 5% debt at a lower rate reduces debt service costs over the life of the bonds
- Lower debt service costs will relieve upward pressure on future rates and fees
- Debt coverage ratio (DCR) is maintained above 2.4x over the next 20 years

The Regional Technical Committee asked staff to consider the future impact of using available cash reserves today to reduce debt now or refinance the full \$125 million and use the cash to support future capital project costs; potentially reducing the amount of new borrowings in the future. The analysis performed by Public Financial Management (PFM), the Agency's financial advisor, reaffirmed staff's recommendation with Scenario 3 providing the greatest savings over the life of the bonds.

If approved, the resolutions authorizing the refinancing of the 2008A Bonds for up to \$125 million, provide staff flexibility to adjust the cash down and refinancing portions as needed to optimize market conditions at the point of sale. The 2017A financing team is comprised of the Agency's Public Financial Management (PFM) will serve as Financial Advisor, Stradling Yocca Carlson & Rauth will serve as Bond Counsel; Citigroup Global Markets Inc. (Citi) will serve as the sole underwriter and U.S. Bank National Association (US Bank) will serve as Trustee and Escrow Agent.

Legal Documents

In order to issue the 2017A Bonds to refund the 2008A Revenue Bonds, the Agency and the Authority will need to enter into certain financing documents. All documents have been reviewed by the Financial Advisor, Bond Counsel, Underwriter and the Agency's Legal Counsel, J C Law Firm.

These documents are described below:

- Preliminary Official Statement. The Preliminary Official Statement is the disclosure document sent to potential investors. The Preliminary Official Statement describes IEUA, the Authority and the terms of the bonds. The bond underwriter uses the Preliminary Official Statement as a marketing document. IEUA, as the party making the installment payments from which the 2017A Bonds are payable, will be subject to federal securities law anti-fraud rules.
- Continuing Disclosure Certificate. The Continuing Disclosure Certificate is executed by IEUA. Under federal securities law, IEUA, as the party making the installment payments from which the 2017A Bonds are payable, is required to provide an annual report to 2017A Bond owners, which includes, among other things, the audited financial statements of

IEUA. IEUA is also required to report certain events which are significant to 2017A Bond owners, as provided in the Continuing Disclosure Certificate.

- Installment Purchase Agreement. The Installment Purchase Agreement is entered into by and between IEUA and the Authority. Pursuant to the Installment Purchase Agreement, IEUA agrees to pay to the Authority installment payments equal to the principal of and interest on the 2017A Bonds. The Installment Purchase Agreement includes a pledge of Revenues on a parity with the 2008B and 2010A Bonds. The Installment Purchase Agreement also includes a covenant of the Agency not to issue any additional Bonds or execute any additional contracts senior to the Installment Purchase Agreement, and provides conditions for issuing additional Bonds or executing additional contracts on a parity with the Installment Purchase Agreement and provides for the setting of rates and charges sufficient to pay the 2017 Bonds.
- Purchase Agreement. The Purchase Agreement is by and between the Agency and the bond underwriter. Pursuant to the Purchase Agreement, the Agency agrees to sell the bonds to the bond underwriter and the bond underwriter agrees to purchase the bonds, subject to usual closing conditions.
- Indenture of Trust. The Indenture of Trust is by and between the Authority and U.S. Bank National Association, the bond trustee. The Indenture of Trust includes (i) an instruction to the Trustee to issue the bonds, (ii) an assignment by the Authority of the right to receive the installment payments of the Agency pursuant to the Installment Purchase Agreement, and (iii) provides instructions to the trustee on how to handle the proceeds of the bonds.
- Escrow Agreement. The 2008 Escrow Agreement is entered into by and between the Authority and U.S. Bank National Association, the escrow agent and bond trustee for the 2017A Bonds. The 2008 Escrow Agreement includes instructions to the escrow agent to invest the portion of 2017A Bond proceeds to be used to pay down the outstanding 2008A bonds.

The 2017A Bonds will be sold to Citi, the underwriter, subject to the final terms as agreed to by the General Manager, with concurrence of the Chief Financial Officer, within the guidelines established within the Resolutions (2016-12-2 and 2016-8), and the respective Purchase Agreement. It is anticipated that the bonds will price in mid-January, 2017 and settlement date will occur in late January.

PRIOR BOARD ACTION

On November 16, 2016 the Board approved the selection of Citigroup Global Markets Inc. (Citi) as the sole underwriter for the 2008A Revenue Bond refinancing.

On November 21, 2007 the Board adopted Resolution No. 2007-11-6, authorizing the issuance of a not-to-exceed amount of \$125,000,000 in Revenue bonds, Series 2008A (Inland Empire Utilities Agency), approving the execution of certain documents and certain other matters.

Adoption of Resolutions for Bonding Documents

December 21, 2016

Page 5

On November 21, 2007, the Commission adopted Resolution No. 2007-1, authorizing the issuance of a not-to exceed amount of \$125,000,000 in Revenue bonds, Series 2008A (Inland Empire Utilities Agency) approving the execution of certain documents and certain other matters.

IMPACT ON BUDGET

Potential present value (PV) savings for refunding the 2008A Bonds may exceed \$20 million, or over 15% percent of the outstanding principal. The exact reduction in debt service costs will be determined at the time of to the bond issuance and will be reported in the Regional Wastewater Capital Improvement (RC), Regional Wastewater Operations & Maintenance (RO), Non-Reclaimable Wastewater (NRW) and Recycled Water (WC) funds.

Attachments:

Resolution No. 2016-12-2

Resolution No. 2016-8

Substantive final drafts of:

Preliminary Official Statement

Continuing Disclosure Certificate

Installment Purchase Agreement

Purchase Agreement

Indenture of Trust

Escrow Agreement

RESOLUTION NO. 2016-8

RESOLUTION OF THE CHINO BASIN REGIONAL FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$125,000,000 REFUNDING REVENUE BONDS, SERIES 2017A (INLAND EMPIRE UTILITIES AGENCY), APPROVING THE EXECUTION OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH

WHEREAS, the Chino Basin Regional Financing Authority (the "Authority"), a joint exercise of powers authority duly organized and existing under and pursuant to the Constitution and laws of the State of California, has been requested to assist Inland Empire Utilities Agency (the "Agency") to undertake the refinancing of certain improvements to the Agency's wastewater system financed from the proceeds of the Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A (Inland Empire Utilities Agency) (the "2008A Bonds"); and;

WHEREAS, the Commission has determined to authorize the refinancing of the 2008A Bonds and to approve certain documents in connection therewith;

NOW THEREFORE, the Commission of the Chino Basin Regional Financing Authority hereby finds, determines, declares and resolves as follows:

1. The issuance of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (the "2017A Bonds") in the principal amount not to exceed \$125,000,000 in order to (i) refinance all or a portion of the 2008A Bonds, (ii) fund a debt service reserve, if necessary or desirable, and (iii) pay the cost of issuance for the 2017A Bonds, is hereby approved.
2. The Installment Purchase Agreement in substantially the form on file with the Authority is hereby approved. The President, Vice President or Treasurer or the designee thereof are hereby authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Stradling Yocca Carlson & Rauth, A Professional Corporation ("Bond Counsel") and approved by the person executing the same, said execution being conclusive evidence of such approval
3. The Indenture of Trust in substantially the form on file with the Authority is hereby approved. The President, Vice-President or Treasurer or the designee thereof are hereby authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval.
4. An Escrow Agreement in substantially the form on file with the Authority are hereby approved. The President, Vice-President or Treasurer or the designee thereof are hereby authorized and directed to execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the person executing the same, said execution being conclusive evidence of such approval.

5. The Purchase Contract with the underwriter named therein, in substantially the form on file with the Authority is hereby approved. The President, Vice-President or Treasurer or the designee thereof are hereby authorized and directed to execute and deliver the Purchase Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the person executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the principal amount of the Bonds exceed \$125,000,000, nor shall the underwriter's discount exceed 0.35% of the principal amount of the Bonds.

6. The preparation and distribution of the Preliminary Official Statement, in substantially the form on file with the Authority, is hereby approved. The President, Vice President or Treasurer, or the designee thereof, is hereby authorized to approve such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and is authorized and directed to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 with respect to the Preliminary Official Statement; provided, however, such certificate shall exclude information with respect to the Agency contained therein. The President, Vice President or Treasurer, or the designee thereof, is further authorized and directed to update the information for inclusion in the final Official Statement. The underwriter named in the Purchase Contract is hereby authorized to distribute copies of said Preliminary Official Statement to persons who may be interested in the initial purchase of the Bonds and is directed to deliver copies of any final Official Statement to all actual initial purchasers of the Bonds.

7. The Commission hereby authorizes the General Manager of the Agency to select a municipal bond insurer to insure payments of interest and principal on all or a portion of the Bonds so long as the General Manager determines that obtaining the municipal bond insurance policy provided thereby will result in a lower interest rate or yield to maturity on such Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel") is hereby directed to make all changes to the Installment Purchase Agreement, the Indenture of Trust, the Purchase Contract, the Escrow Agreement and the Continuing Disclosure Certificate as are necessary to reflect the selection of a municipal bond insurer and the reasonable comments thereof.

8. In the event that it is determined that creation of a reserve fund is necessary or desirable with respect to the issuance of the 2017A Bonds, the Commission hereby authorizes the General Manager of the Agency or the designee thereof to select a municipal bond insurer to provide a reserve fund surety bond to be deposited into the reserve fund for the Bonds, so long as the General Manager of the Agency determines that obtaining the reserve fund surety will be cost effective to the District. The General Manager of the Agency or the designee thereof is hereby authorized to execute and deliver any customary agreement with the municipal bond insurer providing the reserve fund surety bond. Bond Counsel is hereby directed to make all changes to the Installment Purchase Agreement, the Indenture of Trust, the Purchase Contract, the Escrow Agreement and the Continuing Disclosure Certificate as are necessary to reflect the selection of a municipal bond insurer issuing the reserve fund surety bond and the reasonable comments thereof.

9. The President, Vice-President, Treasurer or Secretary or the designee thereof and any other proper officer of the Authority, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions

contemplated by the Indenture of Trust, the Installment Purchase Agreement, the Purchase Contract, the Escrow Agreement, the Preliminary Official Statement, the final Official Statement and this resolution.

10. U.S. Bank National Association is hereby appointed to act as trustee under the Indenture.

11. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture unless the context otherwise clearly requires.

12. This resolution shall take effect immediately.

ADOPTED this 21st day of December, 2016.

Michael Camacho, Vice President
of the Inland Empire Utilities
Agency* and the Board of Directors
thereof

ATTEST:

Steven J. Elie, Secretary of the Inland
Empire Utilities Agency* and the
Board of Directors thereof

(SEAL)

* A Municipal Water District

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN BERNARDINO)

I, _____, Secretary of the Chino Basin Regional Financing Authority, DO HEREBY CERTIFY that the foregoing Resolution being No. 2016-8, was adopted at a regular Commission Meeting on November 16, 2016, of said Authority by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie, Secretary/Treasurer of
the Inland Empire Utilities Agency*
and of the Board of Directors thereof

* A Municipal Water District

RESOLUTION NO. 2016-12-2

RESOLUTION OF THE INLAND EMPIRE UTILITIES AGENCY* AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$125,000,000 REFUNDING REVENUE BONDS, SERIES 2017A (INLAND EMPIRE UTILITIES AGENCY) AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

WHEREAS, the Inland Empire Utilities Agency* (the "Agency"), a municipal water district duly organized and existing under and pursuant to the Constitution and laws of the State of California, proposes to undertake the refinancing of certain improvements to the Agency's wastewater system financed from the proceeds of the Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A (Inland Empire Utilities Agency) (the "2008A Bonds") and;

WHEREAS, this Board has determined that it is in the best interest of the Agency to cause the Chino Basin Regional Financing Authority to issue revenue bonds (the "Bonds") to refinance such Project; and

WHEREAS, this Board has determined to authorize the refinancing of the 2008A Bonds and to approve certain documents in connection therewith;

NOW THEREFORE, the Board of Directors (the "Board") of the Inland Empire Utilities Agency* hereby finds, determines, declares and resolves as follows:

1. The issuance of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (the "2017A Bonds") in the principal amount not to exceed \$125,000,000 in order to (i) refinance all or a portion of the 2008A Bonds, (ii) fund a debt service reserve, if necessary or desirable, and (iii) pay the cost of issuance for the 2017A Bonds, is hereby approved.

2. The Installment Purchase Agreement in substantially the form on file with the Agency is hereby approved. The President, the Vice President, the General Manager or the designee thereof is hereby authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Stradling Yocca Carlson & Rauth, A Professional Corporation ("Bond Counsel") and approved by the person executing the same, said execution being conclusive evidence of such approval.

3. The Purchase Contract with the underwriter named therein, in substantially the form on file with the Agency is hereby approved. The General Manager or the designee thereof is hereby authorized and directed to execute and deliver the Purchase Contract with such changes, insertions and omissions as may be recommended by General Counsel and Bond Counsel approved

* A Municipal Water District.

by the person executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the principal amount of the Bonds exceed \$125,000,000, nor shall the underwriter's discount exceed 0.35% of the principal amount of the Bonds.

4. The Continuing Disclosure Certificate in substantially the form on file with the Agency is hereby approved. The President, the Vice President, the General Manager or the designee thereof is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the person executing the same, said execution being conclusive evidence of such approval.

5. The preparation and distribution of the Agency information in the Preliminary Official Statement, in substantially the form on file with the Agency, is hereby approved. The General Manager or the designee thereof is hereby authorized to approve such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and is authorized and directed to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 with respect to the Agency information in the Preliminary Official Statement. The General Manager is further authorized and directed to update the Agency information for inclusion in the final Official Statement. The underwriter named in the Purchase Contract is hereby authorized to distribute copies of said Preliminary Official Statement to persons who may be interested in the initial purchase of the Bonds and is directed to deliver copies of any final Official Statement to all actual initial purchasers of the Bonds.

6. The Board hereby authorizes the General Manager or the designee thereof to select a municipal bond insurer to insure payments of interest and principal on all or a portion of the Bonds so long as the General Manager or the designee thereof determines that obtaining the municipal bond insurance policy provided thereby will result in a lower interest rate or yield to maturity on such Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel") is hereby directed to make all changes to the Installment Purchase Agreement, the Purchase Contract, the Continuing Disclosure Certificate, the Preliminary Official Statement and the final Official Statement as are necessary to reflect the selection of a municipal bond insurer and the reasonable comments thereof.

7. In the event that it is determined that creation of a reserve fund is necessary or desirable with respect to the 2017A Bonds, the Board hereby authorizes the General Manager or the designee thereof to select a municipal bond insurer to provide a reserve fund surety bond to be deposited into the reserve fund for the Bonds, so long as the General Manager or the designee thereof determines that obtaining the reserve fund surety will be cost effective to the District. The General Manager or the designee thereof is hereby authorized to execute and deliver any customary agreement with the municipal bond insurer providing the reserve fund surety bond. Bond Counsel is hereby directed to make all changes to the Installment Purchase Agreement, the Purchase Contract, the Continuing Disclosure Certificate, the Preliminary Official Statement and the final Official Statement as are necessary to reflect the selection of a municipal bond insurer issuing the reserve fund surety bond and the reasonable comments thereof.

8. The updated Policy for Disclosure Procedures in substantially the form on file with the Agency is hereby approved.

9. The President, the Vice President, the General Manager, the Chief Financial Officer/Assistant General Manager or the designee thereof and any other proper officer of the Agency, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Installment Purchase Agreement, Purchase Contract, Continuing Disclosure Certificate, the Preliminary Official Statement, the final Official Statement, and this resolution.

10. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Installment Purchase Agreement unless the context otherwise clearly requires.

11. This Resolution shall take effect immediately.

ADOPTED this 21st day of December, 2016.

Michael Camacho, Vice President
of the Inland Empire Utilities
Agency* and the Board of Directors
thereof

ATTEST:

Steven J. Elie, Secretary of the Inland
Empire Utilities Agency* and the
Board of Directors thereof

(SEAL)

* A Municipal Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN BERNARDINO)

I, _____, Secretary of the Inland Empire Utilities Agency*, DO
HEREBY CERTIFY that the foregoing Resolution being No. 2016-12-2, was adopted at a
regular Board Meeting on December 21, 2016, of said Agency by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie, Secretary/Treasurer of
the Inland Empire Utilities Agency*
and of the Board of Directors thereof

* A Municipal Water District

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2017

NEW ISSUE – BOOK ENTRY ONLY

\$_[_____]*

**CHINO BASIN REGIONAL FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2017A
(INLAND EMPIRE UTILITIES AGENCY)**

Dated: Date of Delivery

Due: November 1, as shown below

The Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) are being issued by the Authority pursuant to an Indenture of Trust, dated as January 1, 2017, by and between the Authority and U.S. Bank National Association, as trustee, and will be payable from the sources described herein. The Bonds are being issued (i) to refund [all] [a portion of] the outstanding Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A (Inland Empire Utilities Agency), and (ii) to pay the costs of issuing the Bonds.

Interest due on the Bonds is payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2017. The Bonds are being issued in fully registered book-entry form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

The Bonds are subject to optional redemption prior to maturity as set forth herein.

The Bonds are limited obligations of the Authority. The Bonds are payable solely from Authority Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Authority Revenues consist primarily of 2017A Installment Payments received by the Authority from the Agency pursuant to an Installment Purchase Agreement, dated as of January 1, 2017 by and between the Agency and the Authority. The obligation of the Agency to make 2017A Installment Payments is a special obligation of the Agency payable solely from Net Revenues of the Agency System on a parity with the obligation of the Agency to make \$86,698,614 aggregate principal amount of Installment Payments pursuant to the 2008A Installment Purchase Agreements, the 2008B Installment Purchase Agreement, and the 2010A Installment Purchase Agreement. The Agency may incur additional obligations payable from Net Revenues on a parity with the 2017A Installment Payments, subject to the terms and conditions set forth herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, THE BONDS. THE AUTHORITY HAS NO TAXING POWERS. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY IN CONTRAVENTION OF ANY STATE OF CALIFORNIA CONSTITUTIONAL OR STATUTORY PROVISION.

**MATURITY SCHEDULE
(See inside front cover)**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal minimum tax imposed on individuals and corporations.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

See the caption "TAX MATTERS" with respect to tax consequences relating to the Bonds.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A COMPLETE SUMMARY OF THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. Capitalized terms used on the cover of this Official Statement shall have the meanings ascribed thereto herein.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to approval of the valid, legal and binding nature of the Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. The Underwriter is being represented by its counsel [_____]. Certain legal matters will be passed upon for the Authority and for the Agency by JC Law Firm, Chino Hills, California, and for the Trustee by Dorsey & Whitney LLP, Costa Mesa, California.

It is anticipated that the Bonds will be available through the facilities of DTC on or about _____, 2017.

Dated: _____, 2017

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

* Preliminary, subject to change.

MATURITY SCHEDULE

Maturities, Amounts, Interest Rates and Prices

<i>Maturity (November 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>
	\$	%	%	

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

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with a nationally recognized municipal securities depository.

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

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

The information set forth herein has been obtained from sources which are believed to be reliable. The information and expressions 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 the affairs of the Authority or any other parties described herein since the date hereof. All summaries of the Indenture or the 2017A Installment Purchase Agreement or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

While the Agency maintains an internet website for various purposes, none of the information on its website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds of the Authority or bonds or obligations of the Agency.

CHINO BASIN REGIONAL FINANCING AUTHORITY

6075 Kimball Avenue, Building A
Chino, California 91710
(909) 993-1600

AUTHORITY COMMISSION MEMBERS

Terry Catlin, President
Michael Camacho, Vice-President
Steven J. Elie, Secretary/Treasurer
Jasmin A. Hall
Paul Hofer

OFFICERS OF THE AUTHORITY

Terry Catlin, President
Jasmin Hall, Vice-President
Steven J. Elie, Secretary
Christina Valencia, Treasurer

MANAGEMENT OF THE AGENCY

P. Joseph Grindstaff, General Manager
Chris Berch, Executive Manager of Engineering/Assistant General Manager
Martha Davis, Executive Manager of Policy Development/Assistant General Manager
Randy Lee, Executive Manager of Operations/Assistant General Manager
Christina Valencia, Chief Financial Officer/Assistant General Manager

AUTHORITY AND AGENCY GENERAL COUNSEL

JC Law Firm
Chino Hills, California

BOND COUNSEL

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

TRUSTEE

U.S. Bank National Association
Los Angeles, California

MUNICIPAL ADVISOR

Public Financial Management, Inc.
Los Angeles, California

VERIFICATION AGENT

[_____]

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CHINO BASIN REGIONAL FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2017A
(INLAND EMPIRE UTILITIES AGENCY)

INTRODUCTION

General

This Official Statement, including the cover page and all appendices hereto, provides certain information concerning the issuance of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (the “Bonds”). Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in Appendix B hereto entitled “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Definitions.”

The Bonds are being issued pursuant to the provisions of an Indenture of Trust (the “Indenture”), to be entered into as of January 1, 2017, by and between the Chino Basin Regional Financing Authority (the “Authority”) and U.S. Bank National Association, as trustee (the “Trustee”), and pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Bond Law”).

Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the Bonds. The Authority has no taxing powers. The Bonds do not constitute a debt, liability or obligation of the State of California or any public agency thereof (other than the Authority) or any member of the Authority in contravention of any State of California constitutional or statutory provision.

Purpose of The Bonds

The Bonds are being issued (i) to refund [all] [a portion of] the outstanding Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A (Inland Empire Utilities Agency), and (ii) to pay the costs of issuing the Bonds. See the caption “THE REFUNDING PLAN.”

Security for the Bonds

The Bonds are limited obligations of the Authority. The Bonds are payable solely from Authority Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Authority Revenues consist primarily of payments received from the Agency pursuant to an Installment Purchase Agreement, dated as of January 1, 2017, by and between the Inland Empire Utilities Agency (the “Agency”) and the Authority (the “2017A Installment Purchase Agreement”). See the caption “SECURITY FOR THE BONDS.”

The Bonds do not constitute a charge against the general credit of the Authority. The Bonds 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 payments under the 2017A Installment Purchase Agreement

* Preliminary, subject to change.

and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the Bonds. The Authority has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State of California, or any public agency thereof (other than the Authority) or any member of the Authority in contravention of any State of California constitutional or statutory provision.

Pursuant to the 2017A Installment Purchase Agreement, the Agency is obligated to pay installment payments as the purchase price for certain wastewater capital improvements being refinanced from the proceeds of the Bonds (the “2017A Installment Payments”). The obligation of Agency to make the 2017A Installment Payments is a special obligation of the Agency payable solely from Net Revenues, and does not constitute a debt of the Agency or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Pursuant to the 2017A Installment Purchase Agreement, the Agency has pledged the Revenues of the Agency (as more fully described under the caption “SECURITY FOR THE BONDS-2017A Installment Payments Limited Obligations Payable from Net Revenues” below) to secure the prompt payment of the 2017A Installment Payments. The Agency is obligated to make 2017A Installment Payments from Net Revenues, being Agency Revenues remaining after payment of Operation and Maintenance Costs as described under the caption “SECURITY FOR THE BONDS-2017A Installment Payments Limited Obligations Payable from Net Revenues” below.

The obligation of the Agency to make the 2017A Installment Payments from Net Revenues is on a parity with the obligation of the Agency to make \$86,698,614 aggregate principal amount of payments under the Installment Purchase Agreement, dated as of March 1, 2008, by and between the Agency and the Authority (the “2008B Installment Purchase Agreement”) and under the Installment Purchase Agreement dated as of March 1, 2010, by and between the Agency and the Authority (the “2010 Installment Purchase Agreement”). See the caption “THE AGENCY — Financial Information — *Description of Indebtedness — Parity Obligations.*”

The Agency

The Agency, formerly known as the Chino Basin Municipal Water District until 1998, was established by a majority vote in a special election on June 6, 1950, for an original population of approximately 80,000 people. In 1951, the Agency annexed to the Metropolitan Water District of Southern California. Today the Agency services an area of 242 square miles with a population of approximately 870,000. The Agency is governed by a Board of Directors (the “Board”). The original mission of the Agency was to distribute water imported from the Colorado River. During the mid-1960s, the Agency began domestic sewage and industrial waste collection. The Agency’s regional water and wastewater services are essentially wholesale services provided to the cities of Chino, Chino Hills, Fontana, Montclair, Ontario and Upland, and to the Cucamonga Valley Water District, formerly known as the Cucamonga County Water District (collectively, the “Contracting Agencies”). The Agency also provides recycled water to the Contracting Agencies. For more information on the Agency, see the caption “THE AGENCY.”

The Authority

The Authority is a joint exercise of powers agency organized under the provisions of State law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code

of the State (the “Act”) and a Joint Exercise of Powers Agreement, dated as of May 1, 1993 (the “Joint Powers Agreement”) between the Agency and the Cucamonga Valley Water District (“CVWD”), formerly known as Cucamonga County Water District, to provide for the financing of public capital improvements for the members of the Authority and other local agencies through the acquisition by the Authority of such public capital improvements, the purchase by the Authority of indebtedness of the members of the Authority and other local agencies pursuant to bond purchase agreements, and the lending or providing of funds by the Authority to the members of the Authority and other local agencies, and any other transaction authorized by law. Under the Act, the Authority has the power to issue bonds to pay the costs of public capital improvements. See the caption “THE AUTHORITY.”

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. See the caption “TAX MATTERS” herein with respect to other tax consequences with respect to the Bonds.

Professionals Involved in this Issue

The Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriter by its counsel [_____], for the Authority and the Agency by JC Law Firm, Chino Hills, California, and for the Trustee by Dorsey & Whitney LLP, Costa Mesa, California.

THE REFUNDING PLAN

General

A portion of the proceeds of the Bonds will be used to refund [all] [a portion of] the Authority’s \$125,000,000 outstanding aggregate principal amount of 2008A Bonds. Under an Escrow Agreement (Series 2008A), dated as of January 1, 2017, (the “2008A Refunding Escrow Agreement”) by and between the Authority and U.S. Bank National Association, as escrow agent (the “Escrow Agent”), the Agency will deliver a portion of the proceeds of the Bonds to the Trustee for deposit in the escrow fund established under the 2008A Refunding Escrow Agreement (the “2008A Refunding Escrow Fund”). The Escrow Agent will invest all amounts deposited in the 2008A Refunding Escrow Fund in the Federal Securities as set forth in the 2008A Refunding Escrow Agreement. From the maturing principal of the Federal Securities and related investment income and other moneys on deposit in the 2008A Refunding Escrow Fund, the Escrow Agent will pay the scheduled principal of and interest on the 2008A Bonds on and prior to November 1, 2017 (the “Redemption Date”) and will pay on the Redemption Date the principal of and interest on the 2008A Bonds maturing on and after November 1, 2018, without premium (the “Redemption Price”). Neither the funds deposited in the 2008A

Refunding Escrow Fund nor the interest on the invested funds will be available for the payment of debt service on the Bonds.

Verification

[_____], the “Verification Agent” will verify the mathematical accuracy of the information provided to them as of the date of the closing on the Bonds relating to the adequacy of the amounts deposited in the 2008A Refunding Escrow Fund under the 2008A Refunding Escrow Agreement to pay the scheduled principal of and interest on the 2008A Bonds when due on and prior to the Redemption Price and to pay the Redemption Price on the Redemption Date with respect to the 2008A Bonds maturing on and after November 1, 2018 on the Redemption Date.

THE BONDS

General Provisions

The following is a summary of certain provisions of the Bonds. Reference is made to the Indenture for the complete provisions thereof, and the discussion herein is qualified in its entirety by such reference. See Appendix B — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The Bonds will be dated the date of delivery and will be payable in the years and amounts and will bear interest at the respective rates set forth on the inside cover page hereof, which interest will be payable semi-annually on each May 1 and November 1 (each, an “Interest Payment Date”) commencing May 1, 2017. The Bonds will be delivered in the form of fully registered Bonds and, when authenticated and delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. See “— Book-Entry System” below and Appendix E — “INFORMATION CONCERNING DEPOSITORY TRUST COMPANY.” Interest will be calculated on the basis of a 360-day year consisting of twelve 30 day months.

Book-Entry System

The information in this section concerning DTC and DTC’s book-entry system has been obtained from DTC, and the Authority, the Agency, the Underwriter and the Trustee take no responsibility for the accuracy thereof. See Appendix E — “INFORMATION CONCERNING DEPOSITORY TRUST COMPANY” for a further description of DTC and its book-entry system. Capitalized terms used under this caption and not otherwise defined shall have the respective meanings given to such terms in Appendix E.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond will be issued for each year in which the Bonds mature in a denomination equal to the aggregate principal amount of the Bonds maturing in that year, and will be deposited with DTC. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the owners or holders of the Bonds or owners of the Bonds shall mean Cede & Co. and shall not mean the actual purchasers of the Bonds (the “Beneficial Owners”).

The Authority, the Agency and the Trustee cannot and do not give any assurances that DTC Direct Participants or DTC Indirect Participants will distribute to the Beneficial Owners (i) payments of interest on and principal of the Bonds, (ii) Bonds representing an ownership interest in or other confirmation of ownership interests in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will service and act in the manner described in the Official Statement.

Provisions Upon Termination of Book-Entry Only System

In the event the book-entry system is terminated, Bonds will be printed and delivered. Thereafter, any Bond may, in accordance with its terms, be transferred, upon the Registration Books by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Bond or Bonds will be surrendered for transfer, the Trustee will authenticate and deliver a new Bond or Bonds of authorized denomination or denominations of the same maturity and series for a like aggregate principal amount and interest rate. The Trustee may require the payment by any person whose name appears on the registration books maintained by the Trustee (the "Registration Books") as the owner thereof (the "Owner") requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be exchanged upon surrender thereof at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate. The Trustee may require the payment by any Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee will not be required to register the exchange or transfer of any Bond within 15 days preceding selection of Bonds for redemption or of any Bond, in fact, selected for redemption.

The principal of each of the Bonds at maturity will be paid upon presentation and surrender thereof at the principal corporate trust office of the Trustee in Los Angeles, California (the "Principal Corporate Trust Office"). The principal of (other than at maturity), premium, if any, and interest on each Bond will be payable on each Interest Payment Date to the Owner as of the close of business on the first day of the calendar month in which an Interest Payment Date occurs (the "Record Date"), such interest to be paid by check of the Trustee, sent by first-class mail to the Owner at such Owner's address as it appears on the Registration Books. Interest payable on any Interest Payment Date to the Owner in the aggregate principal amount of \$1,000,000 or more may upon written request by such Owner received by the Trustee at least two Business Days prior to the preceding Record Date, be paid by wire transfer in immediately available funds to a designated account in any bank in the United States. Such written request will remain in effect until revoked or revised in writing by such Owner delivered to the Trustee. The principal of, premium, if any, and interest on each of the Bonds will be payable in any currency of the United States of America which on the respective dates for payment thereof is legal tender for the payment of public and private debts.

Interest on the Bonds is payable from the Interest Payment Date next preceding their date of execution, unless (i) such date is after a Record Date and on or before the following Interest Payment Date, in which case interest will be payable from such Interest Payment Date, or (ii) such date is on or before the first Record Date, in which case interest will be payable from the date of delivery; provided, however, that if, as shown by the records of the Trustee, interest borne by the Bonds is in default,

Bonds authenticated in exchange for Bonds surrendered for transfer or exchange will bear interest from the last date to which interest has been paid in full or duly provided for on the Bonds, or, if no interest has been paid or duly provided for on the Bonds, from the date of delivery. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Redemption

Optional Redemption. The Bonds maturing on or after November 1, 20__ are subject to optional redemption prior to their respective stated maturities, as a whole or in part on any date on or after November 1, 20__ in the order of maturity as directed by the Agency in a written request to the Trustee by lot within each maturity, in integral multiples of \$5,000 from amounts prepaid by the Agency pursuant to the Installment Purchase Agreement at a Redemption Price equal to the principal amount of the Bonds to be redeemed, plus accrued interest represented thereby to the date fixed for prepayment, without premium.

Selection of Bonds for Redemption. If any Bond is in a denomination larger than a minimum Authorized Denomination, a portion of such Bonds (the minimum Authorized Denomination or any integral multiple thereof) may be redeemed pursuant to the Indenture, in which case the Trustee shall, without charge to the Owner, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof. In the case of a partial redemption of Bonds, the Trustee shall select the Bonds to be redeemed by lot at such times as directed by the Agency in writing at least thirty (30) days prior to the redemption date and if such selection is more than sixty (60) days before a redemption date, shall appropriately identify the Bonds so called for redemption by stamping them at the time any Bonds so selected for redemption is presented to the Trustee for stamping or for transfer or exchange, or by such other method of identification as is deemed adequate by the Trustee, and any Bond or Bonds issued in exchange for, or to replace, any Bond so called for prior redemption shall likewise be stamped or otherwise identified. The Trustee shall not select the Bonds for mandatory redemption pursuant to the Indenture more than sixty (60) days prior to the redemption date.

Notice of Redemption. The Agency shall notify the Trustee at least forty-five (45) days prior to the redemption date for Bonds pursuant to the Indenture. Notice of redemption shall be mailed by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, (i) to the respective Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail, (ii) to the Securities Depository by facsimile and by first-class mail, and (iii) to the Information Services by first-class mail. Notice of redemption shall be given in the form and in accordance with the terms of the Indenture.

DEBT SERVICE SCHEDULE

Set forth below is a schedule of Series 2017A Installment Payments and payments on Parity Debt for each annual period ending on June 30 of the years indicated.

<i>Annual Period Ending (June 30)</i>	<u><i>Series 2017A Installment Payments</i></u>			<i>Parity Debt⁽¹⁾⁽²⁾</i>	<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>		
2017	\$	\$	\$	\$ 7,804,450	\$
2018				7,965,050	
2019				8,294,625	
2020				8,848,270	
2021				8,750,957	
2022				8,822,398	
2023				3,622,514	
2024				3,622,573	
2025				3,620,267	
2026				3,621,614	
2027				3,622,005	
2028				3,622,844	
2029				3,621,896	
2030				3,619,487	
2031				3,621,350	
2032				3,618,314	
2033				-	
2034				-	
2035				-	
2036				-	
2037				-	
2038				-	
TOTAL	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 86,698,614</u>	<u>\$</u>

⁽¹⁾ Includes aggregate payments on the 2008B and 2010A Installment Purchase Payments. See the caption “THE AGENCY—Description of Indebtedness.”

⁽²⁾ 2008B Installment Purchase Payments projected at 1.5% per annum for Fiscal Year 2017, 2.0% per annum for Fiscal Year 2018, 3.0% per annum for Fiscal Years 2019 and 2020, and 4.0% per annum for Fiscal Years 2021-2032. See the caption “THE AGENCY — Projected Operating Results.”

SECURITY FOR THE BONDS

General

Pursuant to the Indenture, the Authority, for good and valuable consideration, unconditionally has granted, transferred and assigned to the Trustee without recourse all its rights to receive the Authority Revenues (as defined in the succeeding sentence) and to enforce the 2017A Installment Purchase Agreement, upon an event of default thereunder for the benefit of the Owners of the Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the Bonds under the terms of the Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the Agency contained in the 2017A Installment Purchase Agreement. Under the Indenture, Authority Revenues consist of amounts received by the Authority pursuant to or with respect to the 2017A Installment Purchase Agreement, and all interests or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture.

The Bonds do not constitute a charge against the general credit of the Authority. The Bonds 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 payments under the 2017A Installment Purchase Agreement, and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State of California, the County of San Bernardino or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the Bonds. The Authority has no taxing powers. The Bonds do not constitute a debt, liability or obligation of the State of California, the County of San Bernardino or any public agency thereof (other than the Authority) or any member of the Authority within the meaning of any State of California constitutional or statutory provision.

2017A Installment Payments Limited Obligations Payable from Net Revenues

The obligation of the Agency to make the 2017A Installment Payments pursuant to the 2017A Installment Purchase Agreement is a special obligation of the Agency payable solely from Net Revenues of the Agency. The obligation of the Agency to make the Installment Payments is a special obligation of the Agency payable solely from the Net Revenues, and does not constitute a debt of the Agency or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Notwithstanding anything contained in the Agreement, the Agency shall not be required to advance any moneys derived from any source of income other than the Net Revenues and the other funds provided in the Agreement for the payment of Installment Payments due hereunder or for the performance of any agreements or covenants required to be performed by it contained herein except as expressly provided herein.

The term “Net Revenues” means, for any fiscal year, the Revenues of the Agency for such fiscal year less the Operation and Maintenance Costs for such fiscal year.

Under the 2017A Installment Purchase Agreement Revenues of the Agency mean all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Agency System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Agency from the sale, furnishing and supplying of sewer services, composting services or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Agency System, including the Agency’s share of the County of San Bernardino’s 1% ad valorem property tax (to the extent allocated to the Revenue Fund), as determined in accordance with Generally Accepted Accounting Principles plus (2) the earnings on and income derived from the investment of the amounts described in (1) above, including the Agency’s share of the County of San Bernardino’s 1% ad valorem property tax (to the extent allocated to the Revenue Fund), and the general unrestricted funds of the Agency, but excluding in all cases revenues derived from (1) ownership or operation of the Water System and the Separate Facilities, customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Agency, and excluding any proceeds of taxes restricted by law to be used by the Agency to pay bonds hereafter issued.

Operation and Maintenance Costs mean (1) costs spent or incurred for maintenance and operation of the Agency System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Agency System in good repair and working order, and including administrative costs of the Agency that are charged directly or apportioned to the Agency System, including but not limited to salaries and wages of employees, payments to the Public

Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, consultants or engineers and insurance premiums, and including all other reasonable and necessary costs of the Agency or charges required to be paid by it to comply with the terms of the Installment Purchase Agreement or any other Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, and (2) all payments under Operation and Maintenance Obligation but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, including amortization of water rights, unrealized losses in investments, write offs of the value of any impaired assets or other bookkeeping entries of a similar nature.

Revenues — The Regional Sewage Service Contract. In 1972, for the purpose of establishing the Sewer System, the Agency entered into the Chino Basin Regional Sewage Service Contract (the “Regional Contract”) with the Contracting Agencies. The Regional Contract currently expires on January 2, 2023. Under the terms of the Regional Contract, the Agency is charged with the ownership and operation of the Sewer System for the collection, treatment and disposal of sewage delivered by the Contracting Agencies. The Agency is further obligated to construct certain new regional interceptors and expand regional treatment facilities within a reasonable time frame to be prepared to receive all domestic sewage delivered by the Contracting Agencies. The Agency also assumed the responsibility for operating and maintaining these and future facilities in a manner to assure compliance with State and federally mandated discharge requirements. The responsibility for collection and delivery of sewage to the regional interceptor facilities remains with the Contracting Agencies. The Regional Contract also established a Regional Policy Committee to advise the Agency of the needs and views of the Contracting Agencies concerning the Sewer System. According to the Regional Contract, each Contracting Agency appoints a member from its respective governing body to the Regional Policy Committee.

Allocation of Revenues. Under the 2017A Installment Purchase Agreement, all Revenues will be received by the Agency in trust and deposited when and as received in a special fund designated as the “Revenue Fund,” which fund includes the accounts described in the definition thereof and which fund the Agency agrees and covenants to maintain and to hold separate and apart from other funds so long as any Contracts or Bonds remain unpaid. Moneys in the Revenue Fund will be held and applied by the Agency as provided in the 2017A Installment Purchase Agreement.

The Agency will, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable.

All remaining moneys in the Revenue Fund will be set aside by the Agency at the following times for the transfer to the following respective special funds in the order of priority described below; and all moneys in each of such funds will be held in trust and will be applied, used and withdrawn only for the purposes set forth in the 2017A Installment Purchase Agreement.

Not later than each Installment Payment Date, the Agency will, from the moneys in the Revenue Fund, transfer to the Trustee the 2017A Installment Payments due and payable on that Installment Payment Date. The Agency will also, from the moneys in the Revenue Fund, transfer to the applicable (i) trustee for deposit in the respective payment fund, or (ii) payee, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

On or before each Installment Payment Date the Agency will, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts other than the 2017A Installment Purchase Agreement, that sum, if any, necessary to restore such reserve funds and/or accounts to an amount equal to the required balance.

Moneys on deposit in the Revenue Fund on each Installment Payment Date not necessary to make any of the payments required above may be expended by the Agency at any time for any purpose permitted by law, subject to compliance with the 2017A Installment Purchase Agreement.

Rate Covenant

The Agency has covenanted in the 2017A Installment Purchase Agreement, that, to the fullest extent permitted by law, the Agency will fix and prescribe, at the commencement of each Fiscal Year, rates and charges with respect to the Agency System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred fifteen percent (115%) of Debt Service (as such term is defined in Appendix B hereto) for such Fiscal Year. The Agency may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements set forth above.

For avoidance of doubt, so long as the Agency has complied with its obligations described in the prior paragraph, the failure of Net Revenues to meet the threshold set forth in such paragraph at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the Agency has complied with its obligations set forth in the prior paragraph at the commencement of the succeeding Fiscal Year.

Additional Agency Indebtedness

Under the 2017A Installment Purchase Agreement, the Agency may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(1) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the Agency and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the Agency, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year; and

(2) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges with respect to the Agency System approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the Agency, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds

issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(3) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project, as evidenced by a certificate of the General Manager of the Agency on file with the Agency, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received with respect to the Agency System and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the General Manager on file with the Agency, shall produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

The requirements set forth in (1), (2), and (3) above notwithstanding, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased in any Fiscal Year in which Bonds or Contracts (outstanding on the date of issuance or incurrence of such refunding Bonds or Contracts, but excluding such refunding Bonds or Contracts) not being refunded are outstanding.

Nothing in the 2017A Installment Purchase Agreement precludes the Agency from issuing any bonds or entering into contracts the payments from Net Revenues under which are subordinate to any Bonds or Contracts of the Agency.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth a summary of the estimated sources and uses of funds associated with the issuance and sale of the Bonds.

Sources ⁽¹⁾ :	
Principal Amount of the Bonds	\$
Plus/Less Original Issue Premium/Discount	
Transfer from the Agency ⁽²⁾	
Total Sources	\$ _____
Uses ⁽¹⁾ :	
Transfer to 2008A Trustee for Deposit into the 2008A Escrow Fund	\$
Costs of Issuance ⁽³⁾	
Total Uses	\$ _____

⁽¹⁾ Amounts rounded to the nearest \$1.

⁽²⁾ Includes amounts transferred from funds created with respect to the 2005 Bonds.

⁽³⁾ Estimate includes legal and financing costs, printing costs, fees of rating agency, initial fees of Trustee, Municipal Advisor

fees, Verification Agent fees, the Underwriter's discount and Bond Counsel fees.

THE AGENCY

The information set forth below has been provided by the Agency. The Authority makes no representations or warranties as to the accuracy or completeness of any of the information set forth below. Capitalized terms not otherwise defined herein will have the respective meanings ascribed to them elsewhere in the 2017A Installment Purchase Agreement. See Appendix C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE 2017A INSTALLMENT PURCHASE AGREEMENT” for the definitions of such terms.

Organization, Purpose and Powers

The Inland Empire Utilities Agency*, formerly known as the Chino Basin Municipal Water District, was established by a majority vote in a special election on June 6, 1950, for an original population of approximately 80,000 people. In 1951, the Agency annexed to the Metropolitan Water District of Southern California (“MWD”). The original boundaries of the Agency encompassed 92 square miles. Three subsequent annexations added land to the Agency, and the current Agency boundaries encompass 242 square miles with a current population of approximately 870,000. The boundaries of the Agency encompass the urban west end of San Bernardino County, immediately east of the Los Angeles County line and includes the cities of Ontario, Upland, Montclair, Chino, Chino Hills, Fontana and Rancho Cucamonga. The Agency boundaries extend from the Los Angeles County line to a point near the eastern boundary of the City of Fontana and from the base of the San Gabriel Mountains, south to the Riverside County and west to the Orange County line.

When formed in 1950, the Agency only operated a water system which delivered over 50,000,000 gallons per day of imported water from the Colorado River as a member of the Metropolitan Water District of Southern California. During the mid-1960s, the Agency began a domestic sewage collection system (the “Wastewater System”). In 1969, the Agency started construction of a non-reclaimable wastewater system (the “NRW System”) to curtail groundwater pollution from existing industry and to provide for new industrial development within the Agency's service area. In 1990, the Agency began the design and construction of a facility (the “1990 Co-Composter Facility”) to co-compost the municipal sludge for the Agency's treatment plants together with dairy manure from the agricultural preserve, which is located in the southeastern section of the City of Chino. The Agency began producing recycled water in the early 1970's as a low-cost alternative to potable water.

In an effort to more accurately identify both the current and future functions of the entity, the Board of Directors of the Chino Basin Municipal Water District approved and made effective on July 1, 1998, the name change from the Chino Basin Municipal Water District to the Inland Empire Utilities Agency.

In 2002, the Agency and the County Sanitation Districts of Los Angeles County (the “CSDLAC”) formed the Inland Empire Regional Composting Authority (the “IERCA”), a joint powers authority, to construct a regional composting facility in Rancho Cucamonga. The fully enclosed composting facility opened for operations in 2007 replacing the composter facility which had been in operation since 1990. Also in 2002, the Agency expanded the scope of operations of the Agency by financing the design and construction, along with the Chino Basin Watermaster, of facilities to

* A Municipal Water District.

replenish the Chino Groundwater Basin by recharging potable water, storm water and recycled water through regional conveyance systems and infrastructure.

Further development of the regional recycled water system and related services have been the focus of the Agency over the past decade. In 2016, the final phase of a regional recycled water distribution backbone system was completed. Recycled water is produced at four regional water recycling plants (RWRPs): RP-1, RP-4, Carbon Canyon Water Recycling Plant, and RP-5. Recycled water sales were approximately 32,619 acre-feet (“AF”) in Fiscal Year 2016, for both direct use and groundwater recharge deliveries. In addition, the Agency has three facilities which handle biosolids produced at the water recycling plants: RP-1 Solids Handling Facility, RP-2 Solids Handling Facility, and the IERCA composting facility. The Agency also has a solids handling facility at RP-5, which is leased to a private enterprise that produces biogas and energy from food and dairy waste.

On August 17, 2016, the Inland Empire Utilities Agency Board of Directors submitted a plan for service to the Local Area Formation Commission for San Bernardino County (“LAFCO”), asking LAFCO to determine if the Chino Basin Water Conservation District should consolidate with the Agency. A final decision is expected in early 2017. While there is no assurance that the LAFCO Commission will approve the consolidation, if approved the Agency does not expect such consolidation to have any material adverse effect on the Agency’s operations or finances.

Board of Directors, Management and Employee Relations

Board of Directors. The current members of the Board of Directors of the Agency (the “Board of Directors”) and brief biographies of each are set forth below.

Terry Catlin, President
Michael Camacho, Vice President
Steven J. Elie, Secretary/Treasurer
Jasmin A. Hall, Director
Paul Hofer, Director

President Terry Catlin, representing Division 1, the City of Upland, the City of Montclair, the unincorporated area of San Antonio Heights, and portions of Ontario and Rancho Cucamonga was elected to the Board of Directors in November 1996, and currently serves as the Board President. Prior to this, he served as the Secretary/Treasurer from 1997 to 1999 and Vice President from 1999 to 2004. Mr. Catlin currently serves as the Chair of the Agency’s Audit Committee and as an alternate Committee member of the Finance, Legal, & Administration Committee. Mr. Catlin is the Agency representative to the Regional Sewerage Program Policy Committee and the Santa Ana Watershed Project Authority Commission. Mr. Catlin has been a resident of the City of Upland since 1996, and earned a B.A. degree in Chemistry from Claremont McKenna College and a M.S. degree in Biochemistry from the University of Southern California.

Vice President Michael Camacho, representing Division 5, the City of Rancho Cucamonga, a small portion of the City of Fontana and a portion of the unincorporated territories in the City of Fontana’s sphere of influence. Mr. Camacho was elected to the Board of Directors in November 2009, and currently serves as the Board Vice President. Mr. Camacho also serves as a Committee member on the Agency’s Public, Legislative Affairs & Water Resources Committee and the Engineering, Operations and Biosolids Management Committee. Mr. Camacho is the Agency’s representative to the Metropolitan Water District of Southern California and the Agency’s alternate representative to the Southern California Water Committee and to the Regional Sewerage Policy Committee. He also

served on the Chino Basin Watermaster CDA Expansion Committee, Legal Review Committee, and is the former Vice Chairman of the Chino Basin Watermaster Board.

Secretary/Treasurer Steven J. Elie, representing Division 3, the City of Chino and the City of Chino Hills, was elected to the Board of Directors in November 2010, and serves as the Board Secretary/Treasurer. Mr. Elie serves as Chair of the Agency's Public, Legislative Affairs & Water Resources Committee and is a Committee member of the Agency's Finance, Legal, & Administration Committee. Mr. Elie has been the Agency's representative to the Chino Basin Watermaster since January 2011 and serves as the Chair of the Chino Watermaster Board. He is the Agency's representative to the Southern California Water Committee, the Association of Special Districts and is the Agency's alternate Director to the Inland Empire Regional Composting Authority. Mr. Elie is an attorney who regularly represents public entities and public utility regulated entities in complex, multiparty litigation and administrative matters, including soil and groundwater contamination.

Director Jasmin A. Hall, representing Division 4, the City of Fontana and portions of the Cities of Rialto and Bloomington, was appointed to the Board of Directors in November 2013, and elected in 2014. Ms. Hall serves on the Agency's Audit Committee, and is an alternate Committee member on the Public, Legislative Affairs and Water Resources Committee and the Engineering, Operations and Biosolids Management Committee. Ms. Hall serves as an alternate representative to the Santa Ana Watershed Project Authority Commission, Chino Basin Desalter Authority, and Association of California Water Agencies. Ms. Hall is also the Agency's representative to California Association of Sanitation Agencies (CASA) and serves as the Vice Chair of the Inland Empire Regional Composting Authority and CASA Utility Leadership Committee. She has over thirteen years of experience working on Inland Empire utility issues. Ms. Hall has extensive experience in community leadership by serving on the Fontana Planning Commission and serving as Chairwoman for the Fontana Parks and Recreation Commission. Ms. Hall holds an M.B.A. degree with a specialization in Human Resource Management, a B.S. degree in Business Management and a Project Management Certification.

Director Paul Hofer, representing Division 2, the City of Ontario, the unincorporated Agricultural Preserve, and a portion of the unincorporated territories in the city of Fontana's sphere of influence. Mr. Hofer was appointed to the Agency's Board of Directors in August 2016. Mr. Hofer has been a resident of Ontario since 1947. He serves as a member on the Agency's Finance, Legal & Administration Committee, and as an alternate Committee member of the Audit Committee. Mr. Hofer continues to serve on the Chino Basin Watermaster Board of Directors as a representative for Agriculture since January 1998. He also serves as a Director to the Inland Empire Regional Composting Authority. Mr. Hofer is a farmer who resides and works at the Hofer Ranch, the family homestead since 1882.

Management. The Agency's management is composed of the following officers:

P. Joseph Grindstaff, General Manager
Christina Valencia, Chief Financial Officer/Assistant General Manager
Randy Lee, Executive Manager of Operations/Assistant General Manager
Chris Berch, Executive Manager of Engineering/Assistant General Manager
Martha Davis, Executive Manager of Policy Development/Assistant General Manager

P. Joseph Grindstaff is currently the General Manager of the Agency. Prior to his apportionment, Mr. Grindstaff served as the Executive Officer for the Delta Stewardship Council from 2010 to 2012, where he organized the Delta Stewardship Council and helped establish the Delta Conservancy. From 2005 to 2010, Mr. Grindstaff served as Director of the California Bay-Delta

Authority and also served as Deputy Secretary for Water Policy for the Natural Resources Agency from 2006 to 2010. As Deputy Secretary for Water Policy, Mr. Grindstaff took part in the historic 2009 legislative reform package, coordinated water policy, supported Delta Vision, helped CALFED transition to the new paradigm of co-equal goals and oversaw many resource management activities for the State. Mr. Grindstaff has served in various management positions including Chief Deputy Director at Department of Water Resources, General Manager for the Santa Ana Watershed Project Authority, and General Manager of Monte Vista Water District, as well as a range of other key positions.

Christina Valencia is the Chief Financial Officer/Assistant General Manager at the Agency. Ms. Valencia joined the Agency in 1999, and in 2007 she was promoted to Manager of Financial Planning before being named CFO in October 2010. Ms. Valencia began her career at KDC Pipe & Steel, Inc., where she worked for 18 years and rose to the position of Controller. Ms. Valencia holds a Bachelor's Degree in Business Administration with a concentration in Accounting from the University of Texas at El Paso. Ms. Valencia also earned a Master's Degree in Public Administration from the California State University at Northridge. Ms. Valencia has over 25 years of experience in both the private and public sector and oversees the, Finance and Accounting, Human Resources, Contracts Administration and Facilities Services and Business Information Service departments of the Agency.

Randy Lee is the Executive Manager of Operations/Assistant General Manager at the Agency. Mr. Lee joined the Agency in 2000, and during his tenure has worked in Construction Management, Engineering, Operations, and Technical Services/Environment Compliance departments. Mr. Lee left the Agency for a couple of years, holding the position of Assistant Director of Recycling Operations for the Irvine Ranch Water District. In 2015, Mr. Lee returned to the Agency and was promoted to his current position in May 2016. Mr. Lee holds a Bachelor of Science in Environmental Engineering and a Master of Science in Chemical Engineering from the University of California, Riverside, and is a Professional Engineer-Civil. In addition, Mr. Lee has a Grade V Wastewater Certificate.

Chris Berch is the Executive Manager of Engineering/Assistant General Manager at the Agency. Since joining the Agency in 1997, Mr. Berch has worked in various capacities in the Operations, Technical Services, Engineering and Construction Management, and Planning and Environmental Resources departments. Mr. Berch was promoted to his current position in 2014, and is a Professional Engineer – Civil and a board-certified Environmental Engineer. Mr. Berch holds a Bachelor of Science Degree in Environmental Engineering from the University of California, Riverside. Mr. Berch also earned a Master's Degree in Public Administration from the California State University at San Bernardino. In addition, Mr. Berch has a Grade V Wastewater Certificate.

Martha Davis is Executive Manager of Policy Development/Assistant General Manager at the Agency. Previously, Ms. Davis served as the Executive Director for Californians and the Land (1998-2000) and for the Mono Lake Committee (1984-1996). Ms. Davis graduated from Stanford University *cum laude* with a degree in human biology and received her master's degree from the Yale School of Forestry and Environmental Studies. Since 1998, Ms. Davis has served as the Co-Chair of the CalFed Watershed Subcommittee and is a member of the CALFED Bay Delta Public Advisory Committee. In addition, Ms. Davis serves as a member of the California Bulletin 160 Advisory Committee. Ms. Davis is currently a board member for the Mono Lake Committee, the WateReuse Foundation, Earth Island Institute and The Sierra Fund, and serves on the advisory committees for the Sierra Nevada Alliance and the Water Resources Institute.

Employee Relations. As of June 2016, the Agency had 290 authorized full time positions, of which 266 were filled. The Fiscal Year 2016 budget was adopted by the Agency's Board of Directors on June 17, 2015. The Agency currently has five recognized bargaining units, representing a total of 195 employees. The Agency's remaining 87 employees are unrepresented. The Agency and its bargaining units regularly work together to resolve problems of mutual interest. The existing contract between the Agency and the five bargaining units expires on June 30, 2018. The Agency has never experienced a work stoppage or strike.

Defined Benefit Pension Plan. The Agency is a member of the California Public Employees' Retirement System ("PERS"), an agent multiple-employer retirement system, which provides a contributory defined benefit plan for all regular employees of the Agency. These benefit provisions and all other requirements are established by California law. On behalf of its employees, the Agency currently pays a portion of the employees' required Employer Paid Member Contribution ("EPMC") varying from 8% to 7%, depending on the benefit tier. Employees began funding a portion of the EPMC in 2012. Pursuant to the 5 year contracts negotiated with the bargaining units and the Agency's Cost Containment Plan, all employees (including unrepresented) will be paying 100% of the EPMC by July 1, 2017. Employees that fall under the new Public Employee Pension Reform Act currently fund their full share of employee contributions.

The Agency, as employer, is required to contribute the remaining amounts necessary to fund PERS, using the actuarial basis specified by California law. For the year ended June 30, 2016, the Agency's total contribution to PERS was \$5,181,330. The Agency's contribution to PERS, all made in accordance with actuarially determined requirements, was 18.018% of annual covered payroll for the Fiscal Year ended June 30, 2016. By July 31, 2016, the Agency had contributed an additional \$9 million towards its unfunded accrued liability account per the Agency's 2015 Strategic Plan and key objective to achieve full funding status. The Agency also participates in the Social Security Program pursuant to the Federal Insurance Contribution Act.

For more information with respect to the Agency's Plan, see Note 5 to the Agency's audited financial statements attached hereto as Appendix A.

Other Post Employment Benefits. The Agency also provides post-employment health benefits to retired employees through PERS. The Agency's fixed fee contributions to PERS for post-employment health benefits are financed on a pay-as-you-go basis for retired employees and eligible dependents, based on the hiring date of such employee, age of retirement and length of employment with the Agency. Such Agency contributions are reduced when a retiree becomes eligible for Medicare. In the Fiscal Year ended June 30, 2015, the Agency paid approximately \$461,893 for post-employment health benefits for 105 retirees.

In May 2014, the Agency established an irrevocable trust account with the California Employer's Retiree Benefit Trust ("CERBT"). As of June 30, 2016, the Agency has contributed approximately \$9,000,000 (approximately 60%) toward the accrued liability as reported in its financial statements for the Fiscal Year ended June 30, 2016 (see Note 1(d) to the Agency's audited financial statements attached hereto as Appendix A). While requiring the Agency to disclose the unfunded actuarial accrued liability and the ARC in its financial statements, GASB 45 does not require the Agency to fund the ARC.

For more information with respect to the Agency's Other Post-Employment Benefits, see Note 1(d) to the Agency's audited financial statements attached hereto as Appendix A.

Public Liability. The Agency maintains a self-insurance program for losses up to \$500,000 in connection with all of its general liability and public official errors liability, and up to \$25,000 for automobile liability claims. Interest earnings on such self-insurance reserve fund balance have been sufficient to maintain the reserve fund and to pay any minor claims made. As of June 30, 2016, the self-insurance fund balance was \$4,323,272. The Agency has purchased an excess policy providing coverage up to \$10,000,000 on an annual aggregate basis for general and public official errors losses in excess of \$500,000. Effective July 1, 2016, the self-insurance reserve for general liability insurance was approximately \$1,000,000.

The Agency is a self-insured public entity and maintains a self-insurance program for risks associated with workers' compensation, accounting for and financing workers' compensation losses up to \$350,000 in a risk retention reserve fund. As of June 30, 2016, the risk retention reserve fund balance was \$1,499,000. The Agency has purchased a \$25,000,000 excess policy to cover workers' compensation losses in excess of \$1,000,000. The Agency has never had a single workers' compensation loss in excess of \$350,000 and has never had aggregate workers' compensation losses in any single Fiscal Year in excess of \$300,000.

Fire and Extended Coverage Insurance. The Agency maintains a self-insurance program for property damage claims up to \$25,000. Any property damage claims are paid out of existing annual appropriations. The Agency maintains replacement insurance coverage up to \$50,000,000 for its buildings and equipment, covering all perils except earthquakes and floods for property damage claims in excess of \$25,000. Contractors are required to provide insurance coverage which names the Agency as an additional insured during their participation in all capital and large maintenance projects.

Additionally, the Agency maintains a standard public official bond for the actions of the Chief Financial Officer/Assistant General Manager, the General Manager and the Secretary/Treasurer of the Board and a standard blanket honesty policy for each employee.

For more information with respect to the Agency insurance coverage see Note 6 to the Agency's audited financial statements attached hereto as Appendix A.

Regional Wastewater System

General. The Agency provides wastewater treatment services to the cities of Chino, Chino Hills, Fontana, Montclair, Ontario and Upland, and to the Cucamonga Valley Water District (which serves the City of Rancho Cucamonga) collectively, the "Contracting Agencies". In 1972, for the purpose of establishing a Regional Wastewater System, the Agency entered into the Regional Sewage Service Contract (the "Regional Contract") with the Contracting Agencies. Under the terms of the Regional Contract, the Agency is charged with the ownership and operation of the Wastewater System for the collection, treatment and disposal of sewage delivered by the Contracting Agencies. As the operator of the Regional Wastewater system, the Agency assumed the responsibility of meeting the region's annual obligation to deliver treated wastewater to the Santa Ana River as mandated by the Orange County Water District vs. City of Chino (Superior Court Case #117628). The Agency is further obligated to construct certain new regional interceptors and expand regional treatment facilities within a reasonable time frame to be prepared to receive all domestic waste delivered by the Contracting Agencies. See the caption "THE BONDS."

Regional Sewage Service Contract. In July 1972, the Agency and the Contracting Agencies entered into the Regional Contract. Since that time, the Regional Contract has been amended several times. Since inception of the Regional Wastewater Program, the products and services provided by

the Agency have significantly expanded, including production of high-quality renewable products such as recycled water, compost, and energy. During this period, new policies and procedures have been implemented to accommodate the changing regulations and environment, as well as improved effectiveness and efficiencies of the Regional Wastewater Program.

A recently completed review by the Agency's Internal Audit department of the Contracting Agencies application of some of the Regional Contract requirements identified some inconsistencies in the application of certain provisions. Discussions currently underway between the Agency and the Contracting Agencies are focused on updating, clarifying, and streamlining these provisions, as well as extending the Contract beyond the 2023 expiration date. There can be no assurance however that the Regional Contract will be extended or, if extended, what terms or conditions will be included in such extension. In the event the Regional Contract is not extended, the Agency's Board of Directors has full discretion and authority to adopt an ordinance to support its Regional Wastewater Program without any significant change to the services provided under the Regional Contract.

Regional Wastewater System Facilities. The Regional Wastewater System includes four regional water recycling plants ("RWRPs") which produce recycled water that meet Title 22 standards for indirect reuse and groundwater recharge. All of the RWRPs have primary, secondary, and tertiary treatment and recycled water pumping facilities that are interconnected in a regional network. Agency staff uses influent bypass and diversion facilities, such as the San Bernardino Lift Station and the Montclair Diversion Structure to route flows between regional plants in order to optimize capacity utilization, maximize recycled water deliveries, and minimize overall pumping and treatment costs. The Agency's aggregate designed treatment capacity is 85 million gallons per day ("MGD"), including 90 miles of regional sewage interceptors.

In addition, the Agency has three facilities where the biosolids from the RWRPs are handled: Regional Plant No. 1 Solids Handling Facility, Regional Plant No. 2 Solids Handling Facility, and the Inland Empire Regional Composting Authority (IERCA). The Agency also has the RP-5 Solids Handling Facility, which is leased to a private enterprise that produces biogas and energy from food waste.

In July 2015, the Agency updated its Wastewater Facilities Master Plan ("WWFMP"), originally prepared in 2002 and previously updated in 2007. The planning period of the updated WWFMP was for year 2035 and the ultimate year 2060. Capital projects were developed based on the expansion needs for each of the RWRPs for the next 20 years. The WWFMP will be evaluated every ten years, or as major changes are identified.

Regional Water Recycling Plant No. 1. Regional Water Recycling Plant No. 1 (RP-1) was originally commissioned in 1948 and originally owned jointly by the cities of Ontario and Upland. Upon completion of the negotiations that led to the Regional Contract in 1972, assets were purchased by, and the operation of the facility was passed to, the Agency. Over the years, RP-1 has undergone several expansions to increase the design wastewater treatment capacity as the population and economic activity within its service area (the cities of Montclair, Upland, Ontario, Rancho Cucamonga and Fontana) have increased. The permitted design wastewater treatment capacity is approximately 44 million gallons per day ("MGD"); however, the actual capacity is approximately 28 MGD. The 2015 WWFMP identified expansion of the RP-1 Solids Treatment and Liquid Treatment capacity was needed to meet the increase in influent flows projected by 2035. Currently in progress is the implementation of a mixed liquor return pump system, which will increase liquid treatment capacity to 32 MGD until the next major plant expansion, which is planned to take place in 10 to 15 years.

Regional Water Recycling Plant No. 2. Regional Water Recycling Plant No. 2 (“RP-2”) was acquired in the same manner as RP-1 from the City of Chino in 1972 and has been in operation since 1960. When Regional Water Recycling Plant No. 5 (“RP-5”) came online in March, 2004, the RP-2 liquid stream portion of the treatment facilities ceased operations and was taken offline. However, the Agency continues to process solids from RP-5 and Carbon Canyon Water Recycling Facility (“CCWRF”) at RP-2. Relocation of the RP-2 solids handling processes to the RP-5 facility is planned over the next seven years. RP-2 is located on land leased from the U. S. Army Corps of Engineers (the “Corps”) and is within the flood zone behind Prado Dam. The Corps and Orange County Flood Control District have plans to raise the maximum operational water level behind Prado Dam to allow greater water storage and conservation. Since RP-2 does not have physical flood protections, the relocation of all remaining operations will be transferred to RP-5 is planned to be completed by 2023. The RP-2 lease expires in 2035. A fund has been established by the Agency to support the future decommissioning of the RP-2 site in which approximately \$5,000,000 is currently on deposit.

Regional Plant No. 3. Regional Plant No. 3 (“RP-3”) was acquired in the same manner as RP-1 from the City of Fontana. Following acquisition in 1972, minor modifications were made to extend its useful life until a new regional interceptor could be constructed which would transport flows directly to RP-1 for treatment. Subsequent to the completion of the regional interceptor, the treatment facilities ceased operations and were taken offline in 1988. Plans to develop a new wastewater treatment plant at the 63.3 acre RP-3 site were abandoned by agreement with the City of Fontana. A substantial portion of the RP-3 site is being used as a groundwater recharge site for the Chino Basin. A total of 4,508 acre foot was recharged into RP-3 in Fiscal Year 2016, primarily as a result of the Wineville recycled water pipeline extension which was completed in December 2015.

Carbon Canyon Water Recycling Facility. Located in the City of Chino, the Carbon Canyon Water Recycling Facility (“CCWRF”) has been in operation since 1992. The CCWRF works in tandem with RP 2 and RP-5 to serve the areas of Chino, Chino Hills, Montclair, and Upland and provides recycled water to local industries, parks, golf courses, freeway landscape, and city greenbelt areas. It was designed to treat an annual average flow of 11.4 MGD and currently treats approximately 7.1 MGD. There are no major expansion projects planned for CCWRF over the next 30 years.

Regional Water Recycling Plant No. 4. Located in the City of Rancho Cucamonga, Regional Water Recycling Plant No. 4 (RP-4) has been in operation since September 1997. In 2009, RP-4 was expanded from 7 MGD to 14 MGD. This treatment plant serves the fast developing areas of the northeastern section of the City of Rancho Cucamonga and the northwestern section of the City of Fontana, currently treating approximately 10 MGD. Part of the original construction included an eight-mile outfall line that connects RP-4 to RP-1, allowing recycled water to be distributed from either facility. The 2015 WWFMP identified expansion of the RP-4 treatment capacity within the next 25 years.

Regional Water Recycling Plant No. 5. Regional Water Recycling Plant No. 5 (“RP-5”) is located on 89.8 acres of land in the City of Chino. The Agency completed construction of RP-5 and began operation in March, 2004. The Agency constructed RP-5 to replace the liquid treatment processes of the aging RP-2 facility located below the new “take-line” behind the Prado Dam which is subject to a potential flood threat. RP-5 is situated above the new “take-line” behind the Prado Dam and is not subject to a potential flood threat. RP-5 is a state-of-the-art treatment plant, and is designed to handle 16.3 MGD of RP-5 processes sewage flow from the cities of Chino, Chino Hills, and Ontario, and is currently treating approximately 9.9 MGD. Based on Contracting Agencies’, projections, approximately 60% of future growth within the Agency is projected to occur in the cities of Ontario and Fontana increasing projected flows to RP-5 to between 15.4 and 16.1 MGD by 2025. To

accommodate the increased flows, the Agency has initiated the preliminary design report for the expansion of RP-5, which will include a membrane bioreactor treatment system to provide improved water quality for the region. The Agency’s Board of Directors has approved certain components of the expansion of RP-5, including components which are projected to increase flows from 15 MGD to 45 MGD. Expansion of the RP-5 facility is planned over the next 6 years.

Regional Interceptors. The Regional Contract defines sewers which function solely as sewers that convey wastewater from more than one Contracting Agency as “regional interceptors.” These regional interceptors receive sewage from the most downstream point of a Contracting Agency’s community collection system and transport it to the Agency’s treatment plants for processing. The regional interceptors are designed, constructed and maintained by the Agency. As new development occurs, the regional interceptor network is expanded and modified to stay ahead of demand. To date, there are nearly 60 miles of regional interceptor pipelines identified in the Wastewater System.

Wastewater Facility Usage. The following tables present actual and projected wastewater flows for the Fiscal Years ended June 30, 2012 through June 30, 2016.

Actual Wastewater Flow For Fiscal Years 2012-2016

<i>Fiscal Year (Ending June 30)</i>	<i>(Northern Service Area)</i>		<i>(Southern Service Area)</i>	
	<i>RP-1 and RP-4 (MGD)</i>	<i>RP-2, RP-5 and CCWRF (MGD)</i>		<i>Total (MGD)</i>
2012	37.0	15.5		52.5
2013	37.4	15.4		52.8
2014	37.0	15.2		52.2
2015 ⁽¹⁾	35.5	15.2		50.7
2016 ⁽¹⁾	31.5	16.9		48.4

⁽¹⁾ Lower wastewater flows resulting from indoor water conservation measures in response to the current drought in California account for the lower MGD flows in Fiscal Years 2015 and 2016. Lower flows have resulted in higher concentration of total solid strength.

Source: The Agency.

The Agency projects increases in wastewater flows over the current and next four Fiscal Years as a result of a growth from new development in the service areas as set forth below.

Projected Wastewater Flow For Fiscal Years 2017-2021

<i>Fiscal Year (Ending June 30)</i>	<i>(Northern Service Area)</i>		<i>(Southern Service Area)</i>	
	<i>RP-1 and RP-4 (MGD)</i>	<i>RP-2, RP-5 and CCWRF (MGD)</i>		<i>Total (MGD)</i>
2017	31.8	17.5		49.3
2018	32.1	18.1		50.2
2019	32.4	18.7		51.2
2020	32.8	19.4		52.1
2021	33.1	20.0		53.1

Source: The Agency.

The following table presents Fiscal Year 2016 wastewater production within the Agency's service area.

**Wastewater Production
Fiscal Year Ending June 30, 2016**

<i>User</i>	<i>Total EDUs⁽¹⁾</i>	<i>Wastewater (MGD)</i>
City of Ontario	58,872	10.6
CVWD	67,952	12.2
City of Fontana	51,017	9.2
City of Upland	26,091	4.7
City of Chino	28,815	5.2
City of Chino Hills	24,315	4.4
City of Montclair	<u>11,738</u>	<u>2.1</u>
Total	268,800	48.4

⁽¹⁾ Equivalent Dwelling Units – one EDU represents the sewage flow from a single family residential household.
Source: The Agency.

**Agency Wastewater Facilities
Design Capacity and Average Flow
as of June 30, 2016**

<i>Facility</i>	<i>Design Capacity (MGD)</i>	<i>Average Flow (MGD)</i>	<i>Average Flow as Percentage of Design Capacity</i>
RP-1	44.0	23.5	53.4%
RP-5	16.3	10.0	61.3%
RP-4	14.0	8.0	57.1%
CCWRF	<u>12.0</u>	<u>6.9</u>	<u>57.5%</u>
Total	86.3	48.4	57.3%

Source: The Agency.

Wastewater System Rates and Charges - Sewer Charges. Sewer rates for both the Wastewater System and the Non Reclaimable Wastewater (NRW) System are established by the Board of Directors ("Board"). The budget, including such sewer rates, is adopted by the Board of Directors no later than June. Beginning Fiscal Year 2016, the Agency transitioned to a biennial budget with the adoption of a two year budget for Fiscal Years 2016 and 2017. Included in the adopted budget were the multi-year sewer service rates adopted by the Board in March 2015 for Fiscal Years 2016 – 2020 to ensure full cost of service is achieved and maintained. Subsequent to Board actions, the Contracting Agencies each set rate structures reflecting any necessary changes.

The following table presents a summary of the Wastewater System sewer service rates charged to the Contracting Agencies for the Fiscal Years ending June 30, 2012 to June 30, 2016.

Historical Wastewater System Sewer Service Rates

<i>Fiscal Year (Ending June 30)</i>	<i>Sewer Rates per EDU/mo.*</i>
2016	\$15.89
2015	14.39
2014	13.39
2013	12.39
2012	11.14

* Equivalent Dwelling Unit per month.
Source: The Agency.

Wastewater System sewer service charge rates for Fiscal Year 2016 through 2020 were adopted by the Board of the Agency in March 2015. These rates take effect on July 1st of the respective Fiscal Year (with the exception of 2016 which was effective October 1, 2015) pursuant to the notice, public hearing and protest procedures of Proposition 218, see the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES.”

The Wastewater System sewer service rate charged to the Contracting Agencies for the Fiscal Years ended June 30, 2017 to June 30, 2020, as adopted by the Agency’s Board of Directors and projected by the Agency for Fiscal Year 2021, is as follows:

Adopted and Projected Wastewater System Sewer Service Rates⁽¹⁾

<i>Fiscal Year</i>	<i>Sewer Rates per EDU/mo.*</i>
2017	\$17.14
2018	18.39
2019	19.59
2020	20.00
2021	20.40

⁽¹⁾ Wastewater System sewer service rates for Fiscal Years 2017 through 2020 were adopted by the Agency’s Board of Directors in March 2015. Wastewater System sewer service rate for Fiscal Year 2021 is projected by the Agency.

⁽²⁾ Equivalent Dwelling Unit per month.
Source: The Agency.

Wastewater System Revenues. The following table presents summary of the Wastewater System sewer service revenues for Fiscal Years 2012 through 2016.

Wastewater System Sewer Service Revenues

<i>Fiscal Year (Ending June 30)</i>	<i>Wastewater System Sewer Service Revenues</i>
2016	\$49,648,586
2015	46,696,753
2014	42,669,716
2013	39,386,881
2012	35,144,460

Source: The Agency and Comprehensive Annual Financial Report (“CAFR”) of the Agency for Fiscal Years 2012 through 2016 (excluding trucked waste fees)

The following table presents a summary of projected Wastewater System sewer service revenues for Fiscal Years 2017 through 2021 based on the adopted and projected sewer service rates over the same period.

Projected Wastewater System Sewer Service Revenues

<i>Fiscal Year (Ending June 30)</i>	<i>Wastewater System Sewer Revenues</i>
2017	\$56,247,715
2018	60,558,896
2019	64,671,813
2020	66,190,396
2021	67,716,167

Source: The Agency.

Standby Charges. Pursuant to the Regional Contract and Section 71631 of the State Water Code, the Agency may, by ordinance, annually fix availability or standby charges in the Agency, or any portion of the Agency, whether such sewage services are actually used or not. The standby assessment or availability charge shall not exceed ten dollars per acre per year for each acre of land on which the charge is levied or ten dollars per year for parcels of less than an acre. To date, the Agency has not imposed any such charges. However, if and to the extent the Agency’s standby assessment or availability charges are determined to be for a property related service within the meaning of Article XIII D of the State Constitution, increases in such standby assessment or availability charges may be subject to the provisions thereof. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Article XIID.”

Wastewater Capital Connection Fees. Under the Regional Contract, the Contracting Agencies collect fees for each new equivalent dwelling unit (“EDU”) connected to a Contracting Agency’s community collection system and consequently to the Regional Wastewater System (“Wastewater Capital Connection Fees”). The fee for such Wastewater Capital Connection Fees has been revised periodically and is currently \$5,415 per EDU. In 2015 Carollo Engineers was contracted to conduct a study of the Agency’s wastewater, water, and recycled water rates. Water connection fees were adopted by the Board in May of 2015 for Fiscal Years 2016 through 2020. On January 1, 2017 the Wastewater Capital Connection Fee increases to \$6,009 per EDU. Such increased rate is effective until June 30, 2017.

Under the Regional Contract, the Agency is required to maintain a regional capital reserve fund (the “RCIF”) with a maximum excess reserve balance of \$1,000,000. On a quarterly basis, Agency staff projects capital funding requirements of the Agency for the following six months. The Agency “calls” for Wastewater Capital Connection Fees from the Contracting Agencies when the Agency projects a need for additional funds. Wastewater Capital Connection Fee payments are calculated based on the percentage of each individual Contracting Agency’s reimbursement account balance relative to the total balance of all Contracting Agency-held funds. That percentage is then utilized to calculate each Contracting Agency’s contribution to the Agency’s “call” for funds from the Wastewater Capital Connection Fees.

The Agency recognizes Wastewater Capital Connection Fees as revenues when collected by the Contracting Agencies rather than when the Agency calls for the Contracting Agencies to transfer the Wastewater Capital Connection Fees to the Agency.

The following table presents a summary of the Wastewater Capital Connection Fees when recognized by the Agency in Fiscal Years 2012 through 2016.

Historic Wastewater Capital Connection Fee Revenue

<i>Fiscal Year (Ending June 30)</i>	<i>Wastewater System Sewer Revenues</i>
2016	\$24,910,235
2015	15,073,882
2014	9,788,634
2013	14,614,387
2012	7,686,126

Source: The Agency.

The following table presents a summary of projected Wastewater Capital Connection Fees for Fiscal Years 2017 through 2021 based on the adopted fees and projected growth.

Projected Wastewater Capital Connection Fee Revenue

<i>Fiscal Year (Ending June 30)</i>	<i>Wastewater System Sewer Revenues</i>
2017	\$17,136,000
2018	18,927,000
2019	19,872,000
2020	18,778,500
2021	20,657,700

Source: The Agency.

Agency collection of Wastewater Capital Connection Fees is dependent on development activity within the Agency. If development activity varies from the activity currently projected by the Agency, Wastewater Capital Connection fees may not be collected as set forth above. Such variation could be material and adverse. To minimize the fiscal impact of a slowdown in development, the Agency’s forecasts are based on what the Agency believes are conservative growth projections.

The following table presents a summary of historic Wastewater Capital Connection Fee rates for Fiscal Years 2012 through 2016. Wastewater Capital Connection Fees imposed by the Board of the Agency in May 2015 for Fiscal Year 2016 was effective January 1.

Historic Wastewater Capital Connection Fees

<i>Fiscal Year</i>	<i>Effective Date</i>	<i>Connection Fee per EDU*</i>
2016	January 1, 2016	\$5,415
	July 1, 2015	5,107
2015	July 1, 2014	5,107
	July 1, 2013	5,007
2013	July 1, 2012	4,909
2012	July 1, 2011	4,766

* Equivalent Dwelling Unit
Source: The Agency.

The following table presents a summary of the adopted rates for Fiscal Years 2017 through 2020, rates for year 2021 are projected. Wastewater Capital Connection Fees imposed by the Board of the Agency in May 2015, for Fiscal Year 2017 is effective January 1, 2017 and July 1 of each Fiscal Year thereafter.

Projected Wastewater Capital Connection Fees

<i>Fiscal Year</i>	<i>Effective Date</i>	<i>Connection Fee per EDU*</i>
2017	July 1, 2016	\$5,415
	January 1, 2017	6,009
2018	July 1, 2017	6,309
	July 1, 2018	6,624
2020	July 1, 2019	6,955
2021	July 1, 2020	7,651

* Equivalent Dwelling Unit
Source: The Agency.

Ad Valorem Property Taxes. Prior to the passage of Proposition 13, the Agency established an annual tax levy for the support of Agency activities. Pursuant to Proposition 13, the County Auditor became responsible for the fixed establishment of a county-wide tax rate allocation. Such allocation was determined by averaging the tax levy of each taxing agency for the three Fiscal Years prior to the passage of Proposition 13. The County Auditor then determined the allocation of the county-wide 1% property tax levy between all of the County’s taxing agencies on a pro rata basis. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Article XIII.A.”

The Agency had two tax levies in place when Proposition 13 was implemented: A General allocation and an allocation to Improvement District “C.” The revenue to Improvement District “C” is applied to the funding of Regional Wastewater System capital requirements. The General allocation is applied to fund general Agency activities.

From time to time legislation has been considered as part of the State budget to shift property tax revenues from special districts to school districts or other governmental entities. While legislation enacted in connection with the 1992-93 State budget shifted many special districts’ shares of the countywide one percent ad valorem tax, the share of the countywide one percent ad valorem tax allowable to multi-county special districts, such as the Agency, was exempted.

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not, among other things: (i) shift property taxes from local governments to schools or community colleges; or (ii) change how Property Tax Revenues are shared among local governments without two-thirds approval of both houses of the State Legislature.

In Fiscal Year 2010, the State shifted to schools and community colleges a limited amount of local government property tax revenues after certain conditions were met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. No additional shifts may occur until the State repays the 2009-10 shift. The Agency participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and as a result received the funds shifted, without interest, in two installment payments in 2010. The Agency received its first installment payment of \$1,070,028 in January 2010 and the second installment of equal amount in May 2010. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues.

There can be no assurance that the property tax revenues the Agency currently expects to receive will not be further reduced pursuant to State legislation enacted in the future. If the formula is changed in the future it could have a material adverse effect on the receipt of property tax revenues by the Agency, including property tax revenues received pursuant to Section 97.23 of the Revenue and Taxation Code of the State of California for the payment of the outstanding 2010A Bonds.

The table below sets forth the assessed value of property within the Agency and the amount of property tax revenue received by the Agency and allocated to the Revenue Fund in each of the last five fiscal years.

**Agency Historical Assessed Values and Property Tax Revenue
For Fiscal Years 2012 to 2016**

<i>Fiscal Year</i>	<i>Assessed Value</i>	<i>Property Tax Revenue</i>	<i>Property Tax Allocation to Water Fund</i>	<i>Net Property Tax Revenue</i>
2016	\$62,396,625,000	\$45,631,113	\$4,295,184	\$41,335,929
2015	59,886,639,000	40,946,003	1,500,000	39,446,003
2014	55,989,042,000	38,486,730	0	38,486,730
2013	54,144,254,000	48,086,946	0	48,086,946
2012	53,653,776,000	32,694,517	0	32,694,517

Source: County of San Bernardino – Auditor and Comprehensive Annual Financial Report of the Agency for fiscal years 2012 through 2016.

Fiscal Year 2013 includes approximately \$10.2 million of unobligated incremental taxes returned by the successor agencies to the County Tax/Assessor. An additional \$2,700,000 of such return of unobligated incremental taxes was received in Fiscal Year 2016 and included in the \$4,295,188 transferred to the Water Resources Fund. These unobligated funds were re-distributed by the County Tax/Assessor to eligible taxing agencies pursuant to the dissolution of redevelopment agencies which took effect on February 1, 2012 and represent a non-recurring source of funds to the Agency.

The allocation of Property Tax Revenues between the Revenue Fund and the Water Resources Fund is determined by the Agency Board of Directors on an annual basis. While there can be no assurance that the Board of Directors will allocate Property Tax Revenues to the Revenue Fund in accordance with recent practice, the Agency has entered into a rate covenant as further described under the caption “SECURITY FOR THE BONDS-Rate Covenant”.

The table below sets forth the assessed value of property within the Agency and the amount of property tax revenue projected to be received by the Agency in each of the next five fiscal years.

**Agency Projected Assessed Values and Property Tax Revenue
For Fiscal Years 2017 to 2021**

<i>Fiscal Year</i>	<i>Assessed Value</i>	<i>Property Tax Revenue</i>	<i>Property Tax Allocation to Water Fund</i>	<i>Net Property Tax Revenue</i>
2017	\$65,717,035,000	\$44,704,800	\$1,955,800	\$42,749,000
2018	67,688,546,000	46,046,000	2,425,200	43,620,800
2019	69,042,318,000	47,427,400	2,908,700	44,518,700
2020	70,423,165,000	48,375,900	3,240,700	45,135,200
2021	71,831,628,000	49,343,400	3,579,300	45,764,100

Source: The Agency.

The Fiscal Year 2016 property tax receipts included \$2.7 million one-time payment related to the dissolution of Redevelopment Agencies (“RDA”) and due diligence reporting from the City of Ontario. The San Bernardino Assessment roll for Fiscal Year 2017 increased by 5.3% compared to Fiscal Year 2016. The Agency projected a 3% growth in assessed value in 2018 and a growth factor

of 2% percent thereafter. Property tax revenue projection were based on projected receipts in 2016 with a growth factor of 3% for 2017 through 2019, and more conservative growth factor of 2% thereafter.

Non-Reclaimable Wastewater System

General. The Non-Reclaimable Wastewater System (the “NRW System”) provides a collection system which includes pipelines and pump station to export the high-salinity industrial wastewater generated within the Agency’s service area for treatment and eventual discharge to the Pacific Ocean. The NRW System is physically separated from the Agency’s Regional Wastewater System, ensuring further compliance with the California Regional Water Quality Control Board and state regulations related to environmental criteria, and improving the quality of recycled water for local use. Maximizing the use of the NRW System helps ensure that the Agency complies with the final effluent total dissolved solids (“TDS”) limits which are required under the National Pollutant Discharge Elimination System (“NPDES”) permits.

The NRW System operated by the Agency is comprised of two independent collection systems, the north and south systems which serve different patrons.

The south NRW System serves approximately 15 industries, truckers and the Chino Basin Desalter Authority and conveys wastewater to the Inland Empire Brine Line (“IEBL”) which then carries it to the Orange County Sanitation Districts facility in the City of Fountain Valley for treatment and ocean discharge. The IEBL, which is owned by the Santa Ana Watershed Project Authority (“SAWPA”), is an independent collections system that serves the southern portion of the Agency’s service area. The highest and best use of the brine line is the removal of salts from the watershed to keep them from degrading water quality within the watershed, thereby allowing better use of groundwater resources and expanding the ability to reclaim water. The long-term goal of achieving salt balance within the region depends on the ability to remove salts from the watershed via the brine line.

The north NRW System serves approximately 42 industries and municipalities. The north NRW System also collects wastewater from the Agency’s Regional Recycling Plant No. 1 (“RP-1”) belt press filtrate and centrate. The north NRW System conveys the non-reclaimable wastewater to the Sanitation Districts of Los Angeles County (“SDLAC”) treatment facility in Carson, where it is treated and discharged to the ocean.

The SDLAC and the Agency previously entered into various agreements dating back to 1966 under which the SDLAC agreed to accept a portion of the Agency’s industrial wastewater flows from the NRW System. The 50-year agreement between the SDLAC and Agency, which was set to expire on May 1, 2018, was replaced by the new NRW System Wastewater Disposal Agreement that took effect on July 1, 2014 (the “New SDLAC Agreement”). The New SDLAC Agreement has an initial term of 30 years with up to four additional five year extensions for a total of up to 50 years. Annual management meetings to review and discuss any modifications due to financial, operational or environmental changes will ensure the New SDLAC Agreement remains relevant. Another key benefit of the New SDLAC Agreement is the option to purchase or lease discharge rights, which makes the New SDLAC Agreement more attractive for both new customers and existing customers looking to expand. Under the prior agreements, customers were required to purchase capacity.

Non-Reclaimable Wastewater System Rates and Charges. The following tables present summaries of NRW System service rates and charges relating to the Agency's north and south NRW System for the Fiscal Years 2012 through 2016.

Historical NRW System Sewer Service Rates

<i>Fiscal Year</i>	<i>North NRW System Monthly Volumetric Rate per MG</i>	<i>South NRW System Monthly Volumetric Rate* per MG</i>
2016	\$ 948.00	\$817.00
2015	835.80*	777.00
2014	1,437.49	736.00
2013	1,465.26	794.00
2012	1,486.46	830.00

* The new NRW System Wastewater Disposal Agreement between the Agency and SDLAC on rates effective July 1, 2014. Source: The Agency.

<i>Fiscal Year</i>	<i>North NRW System Monthly Capacity Charge Rate per Capacity Unit</i>	<i>South NRW System Monthly Capacity Charge Rate* per Capacity Unit</i>
2016	none	\$351.17
2015	none*	334.43
2014	\$319.00	318.49
2013	123.27	277.17
2012	192.91	244.04

* The new NRW System Wastewater Disposal Agreement between the Agency and SDLAC on service rates effective July 1, 2014. The Agreement allows Agency to allocate a baseline capacity at no cost to existing industries based on their average use. Source: The Agency.

<i>Fiscal Year</i>	<i>North NRW System Excessive Strength Charges Rate per 1000 lbs</i>		<i>South NRW System Excessive Strength Charges Rate per 1000 lbs</i>	
2016	*TSS ⁽¹⁾	\$433.00	TSS ⁽¹⁾	\$420
	*COD ⁽²⁾	\$210.00	BOD ⁽³⁾	\$301
2015	*TSS ⁽¹⁾	\$418.22	TSS ⁽¹⁾	\$411
	*COD ⁽²⁾	\$147.84	BOD ⁽³⁾	\$295
2014	TSS ⁽¹⁾	\$294.21	TSS ⁽¹⁾	\$395
	COD ⁽²⁾	\$110.81	BOD ⁽³⁾	\$266
2013	TSS ⁽¹⁾	\$268.60	TSS ⁽¹⁾	\$376
	COD ⁽²⁾	\$101.16	BOD ⁽³⁾	\$253
2012	TSS ⁽¹⁾	\$268.60	TSS ⁽¹⁾	\$335
	COD ⁽²⁾	\$101.16	BOD ⁽³⁾	\$225

⁽¹⁾ Total Suspended Solids.

⁽²⁾ Chemical Oxygen Demand.

⁽³⁾ Biochemical Oxygen Demand.

* The new NRW System Wastewater Disposal Agreement between the Agency and SDLAC effective July 1, 2014. The New SDLAC Agreement eliminated the threshold for strength charges which will be pass through to industries. Source: The Agency.

NRW System Revenues. The following table presents a summary of NRW System service revenues for Fiscal Years 2012 through 2016. Such revenues have been derived from the Agency financial statements, but exclude certain non-cash items and include certain other adjustments.

Historical NRW System Sewer Service Revenues

<i>Fiscal Year</i>	<i>NRW System Sewer Service Revenues</i>
2016	\$11,854,847
2015	11,242,300
2014	8,199,986
2013	7,909,829
2012	6,249,994

Source: The Agency.

The increase in Fiscal Year 2015 service revenues compared to Fiscal Year 2014 was due to the elimination of strength thresholds under the New SDLAC Agreement which resulted in higher strength charges.

The following table presents a summary of projected NRW System sewer service revenues for Fiscal Years 2017 through 2021. The slight drop in revenues from Fiscal Year 2016 to Fiscal Year 2017 is due to decrease in strength charges.

<i>Fiscal Year</i>	<i>NRW System Sewer Service Revenues</i>
2017	\$11,161,500
2018	11,435,909
2019	11,728,327
2020	11,830,755
2021	12,142,193

Source: The Agency.

Recycled Water System

General. In 2005, the Agency Board approved a Regional Recycled Water Expansion Program. Construction of Phases I through V was completed between June 2005 and June 2008. Construction for Phase VI was started in 2008 and completed in June 2015, and the Central/Wineville area projects began in September 2015 and were complete in August 2016. These projects, collectively known as the Regional Recycled Water Distribution System (“RRWDS”), are the backbone of the recycled water regional distribution system. The Agency’s recycled water production is directly related to influent wastewater flow which currently averages approximately 50 million gallons per day (MGD).

Expansion and improvements of the RRWDS increases the water supply that can be used to meet the water demands of the current 870,000 residents in the Agency’s service area. The Agency will continue to develop, expand, and provide flexibility to the program to allow the region to utilize all available recycled water supplies.

Recycled water volumetric rates support the costs associated with the operations and maintenance of the Agency’s water recycling facilities, non-reimbursable operating costs for groundwater recharge basins, including the Agency’s pro-rata share for basins recharged with recycled water, and debt service costs related to the financing of existing facilities and infrastructure.

The Agency also receives a rebate from Metropolitan Water District of Southern California (MWD) under its Local Projects Program (“LPP”). Recycled water deliveries in excess of 3,500 AF and up to a maximum of 13,500 AF per year, excluding groundwater recharge deliveries, are eligible for the LPP rebate of \$154 per AF, for an annual amount of up to \$2,079,000. The LPP rebate is set to expire in June 2017.

Recycled Water System Rates. The following table presents a summary of the Recycled Water System Rates for Fiscal Years 2012 to 2016.

<i>Fiscal Year</i>	Historic Recycled Water System Direct Delivery Recycled Water Rates per AF*	Groundwater Recharge Rates per AF
2016 ⁽¹⁾	\$350	\$410
2015	290	335
2014	215	255
2013	155	195
2012	115	145

* Acre-feet.

⁽¹⁾ 2016 rates effective October 1, 2015. Rates for future Fiscal Years are effective July 1 of the respective year.

Source: The Agency.

The following table shows the rates for Fiscal Years 2017-2020, which were adopted by the Board of Directors in May 2015 and rates for Fiscal Year 2021 which are projected by the Agency.

<i>Fiscal Year</i>	Projected Recycled Water System Direct Deliveries Recycled Water Rates per AF*	Groundwater Recharge Rates per AF
2017	\$410	\$470
2018	470	530
2019	480	540
2020	490	550
2021	500	560

* Acre-feet

⁽¹⁾ 2016 rates effective October 1, 2015. Rates for future Fiscal Years are effective July 1 of the respective year.

Source: The Agency.

Recycled Water System Revenues. The following table presents a summary of the Recycled Water System revenues for Fiscal Years 2012 to 2016.

Historic Recycled Water System Revenues

<i>Fiscal Year</i>	<i>AF ^{*(1)}</i>	<i>Recycled Water Sales</i>	<i>MWD Rebate</i>	<i>Total Recycled Water Revenues</i>
2016	32,619	\$11,389,182	\$ 2,079,000	\$ 13,468,182
2015	33,053	9,968,164	2,079,000	12,047,164
2014	37,989	8,751,500	2,079,000	10,830,500
2013	32,319	5,872,605	2,079,000	7,951,605
2012	28,988	3,930,469	2,079,000	6,009,469

* Deliveries in acre-feet for both recycled water direct and groundwater recharge.
Source: The Agency.

The following table presents a summary of projected Recycled Water System revenues for Fiscal Years 2017 to 2021.

Projected Recycled Water System Revenues

<i>Fiscal Year</i>	<i>AF *</i>	<i>Recycled Water Sales</i>	<i>MWD Rebate⁽¹⁾</i>	<i>Total Recycled Water Revenues</i>
2017	34,800	\$14,822,000	\$2,079,000	\$16,901,000
2018	37,000	17,950,000	-	17,950,000
2019	39,000	19,292,000	-	19,292,000
2020	42,000	21,158,000	-	21,158,000
2021	44,000	22,590,000	-	22,590,000

* Deliveries in acre-feet for both recycled water direct and groundwater recharge.
(1) LPP rebate expires June 2017.
Source: The Agency.

Water Connection Fees. On January 1, 2016, a new water connection fee was implemented by the Agency with revenues intended to support capital improvement and expansion of the Agency’s regional water system, which is comprised of potable water, recycled water, and groundwater recharge facilities. The new water connection fee is per meter equivalent unit (“MEU”) per residential unit (based on 5/8” and 3/4” meter sizes). Projects within the Administrative Services, Water Resources, and Recharge Water Funds supporting the Agency’s regional water system receive a portion of annual water connection fees based on project activity during the fiscal year.

The following table presents a summary of projected Water Connection Fee Revenue for Fiscal Years 2016 through 2021 based on the adopted fees and projected growth. Transfers out represent

amounts allocated to the Water Resources Fund for project support.

Projected Water Connection Fee Revenue

<i>Fiscal Year (Ending June 30)</i>	<i>Water System Revenues</i>	<i>Transfer Out</i>	<i>Net Water Connection Fee Revenue</i>
2016	\$ 997,010	\$ 294,955	\$ 702,055
2017	2,932,020	68,517	2,863,503
2018	4,168,710	62,640	4,106,070
2019	4,378,920	98,280	4,280,640
2020	4,137,588	119,880	4,017,708
2021	4,216,050	38,772	4,177,170

Source: The Agency.

The Water Connection Fees were adopted by the Board of the Agency in May 2015, effective January 1 for Fiscal Years 2016 and 2017, and July 1 of each Fiscal Year thereafter. The following table presents a summary of the adopted rates for Fiscal Years 2016 through 2020 and projected rate for Fiscal Year 2021.

Projected Water Connection Fees

<i>Fiscal Year</i>	<i>Effective Date</i>	<i>Connection Fee per MEU*</i>
2016	January 1, 2016	\$ 693
2017	July 1, 2016	693
	January 1, 2017	1,455
2018	July 1, 2017	1,527
2019	July 1, 2018	1,604
2020	July 1, 2019	1,684
2021	July 1, 2020	1,735

* Meter Equivalent Unit
Source: The Agency.

Composting

General. In 2002, the Agency and the Sanitation District of Los Angeles County (“SDLAC”) formed the IERCA, a Joint Powers Authority, to construct a fully enclosed state of the art Inland Empire Regional Composting Facility (“IERCF”) in the City of Rancho Cucamonga. The purpose of this facility is to further treat the biosolids generated from the Agency’s four wastewater treatment plants and SDLAC as well as other providers as approved. The purchase of the property and existing warehouse was made by the Agency in December 2001. The Agency transferred title to the warehouse to IERCA in July 2002. Construction was completed and the facility was commissioned in March 2007.

The IERCF began operations in 2007 and reached full capacity in 2008 processing over 200,000 tons of recycled wood wastes and biosolids per year. The Agency typically sends all of the biosolids it produces representing approximately 60,000 wet tons and 40% of the IERCF’s biosolids capacity. The IERCF has sufficient capacity to accept and process all of the Agency’s biosolids

anticipated to be produced over the next several years. The Agency is responsible for the day-to-day operations of the IERCF.

The IERCF composts the recycled organics to produce over 230,000 cubic yards of high quality compost per year. The compost is used as a soil amendment on landscapes and farms and sold under the brand name SoilPro. Since startup, the IERCF has processed over 1 million wet tons of biosolids and produced nearly 2 million cubic yards of compost. The compost is used to create healthy soils which require less water and fertilizers to support landscapes and agriculture. The practice is consistent with the Agency's goals to conserve and protect water resources.

Financial Information

Audited Financial Statements. A copy of the most recent financial statements of the Agency audited by Lance, Soll, & Lunghard, LLP, Brea, California (the "Auditor") are included as Appendix A hereto (the "Financial Statements"). The Financial Statements include a statement that the Auditor conducted an audit of the Financial Statements in accordance with auditing standards generally accepted in the United States of America and government auditing standards issued by the Comptroller General of the United States. The Auditor opines that the basic Financial Statements present fairly, in all material aspects, the financial position of the Agency as of June 30, 2016 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and State regulations governing Special Districts. The Financial Statements include certain notes to the financial statements which may not be fully described below under the subheading "Significant Accounting Policies" or in the footnotes to the Tables. Such notes constitute an integral part of the audited financial statements. The Auditor's consent to inclusion of the Financial Statements in the Official Statement was not requested and no procedures were performed.

Significant Accounting Policies. Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations restrictions or limitations. For financial reporting purposes, the Agency has two major funds: (i) recycled water, and (ii) regional wastewater. Revenues accounted from recycled water and regional wastewater programs are pledged to the repayment of the 2008B Installment Purchase Agreements.

The Financial Statements were prepared on the accrual basis of accounting. Revenues are accrued when earned and expenses are recorded when liability is incurred.

The Agency accounts for moneys received and expenses paid in accordance with generally accepted accounting principles ("GAAP") applicable to governmental agencies such as the Agency. In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See "APPENDIX A — AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016." Except as otherwise expressly noted herein, all financial information derived from the Agency's audited financial statement reflect the application of GAAP.

See the Financial Statements attached hereto as Appendix A for a discussion of other accounting practices of the Agency.

Description of Indebtedness

Senior Obligations. The Agency does not have any outstanding Bonds or Contracts payable from Net Revenues prior to the 2017A Installment Payments.

Parity Obligations. The Agency has two installment purchase agreements payable from Net Revenues on a parity with the 2017A Installment Purchase Agreement as described below.

The obligation of the Agency to make 2008B Installment Payments under the 2008B Installment Purchase Agreement secures in part the issuance of the Chino Basin Regional Financing Authority Variable Rate Demand Revenue Refunding Bonds, Series 2008B (Inland Empire Utilities Agency) in the original aggregate principal amount of \$55,675,000 (the “2008B Bonds”). The 2008B Installment Payments are payable in annual principal installments through 2022, have a current outstanding principal amount of \$42,195,000. As set forth in the 2008B Installment Purchase Agreements, 2008B Installment Payments are payable from the Net Revenues of the Agency.

The payment of principal and interest due with respect to the 2008B Bonds is supported by an irrevocable direct-pay letter of credit (the “Credit Facility”) issued by Sumitomo Mitsui Banking Corporation pursuant to and subject to the terms of a Reimbursement Agreement, dated as of January 1, 2016, by and among the Authority, the Agency and SMBC. The Credit Facility will expire on January 15, 2021 unless terminated sooner or extended.

The obligation of the Agency to make 2010A Installment Payments under the 2010A Installment Purchase Agreement secures in part the issuance of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2010A (Inland Empire Utilities Agency) in the original aggregate principal amount of \$45,570,000 (the “2010A Bonds”). The 2010A Installment Payments are payable in annual principal installments through 2022, have a current outstanding principal amount of \$27,005,000 and have an average annual payment of approximately \$5,200,000. As set forth in the 2010A Installment Purchase Agreements, 2010A Installment Payments are payable from the Net Revenues of the Agency.

Subordinate Obligations

The Agency has been an active participant of the State Water Resources Control Board (SWRCB) Clean Water State Revolving Fund (CWSRF) Program since 2003. Currently, the Agency has nineteen CWSRF loans with an aggregate outstanding balance of approximately \$117,000,000.

Repayment of the principal of each State Revolving Financing loan is amortized over a 20 to 30 year period at fixed interest rates ranging from 1.0% to 2.60% with payments commencing one year after the completion of the related capital construction projects.

Annual installment payments of principal and interest expense for outstanding State Revolving Financing loans are estimated to be \$5,200,000.

Although the security provisions of the SRF loans vary from loan-to-loan, the payment of amounts due thereunder are payable from Net Revenues subordinate to the payment of the 2017A Installment Payments, the 2008B Installment Payments and the 2010A Installment Payments. Future state loans are also expected to be payable from Net Revenues on a parity to the 2017A Installment Payments, the 2008B Installment Payments, and the 2010A Installment Payments.

Additionally, in Fiscal Year 1998, the Agency acquired from the SAWPA 1.5 MGD Santa Ana River Interceptor pipeline capacity and agreed to pay for such capacity over 20 years (the “SAWPA Inland Empire Brine Line (IEBL) Capacity Purchase Loan”). Repayment of the SAWPA Sari Capacity Purchase Loan is subordinate to the payment of the 2017A Installment Payments, the 2008B Installment Payments and the 2010A Installment Payments. Final payment is due in June 2017.

In Fiscal Year 2006, the Agency entered into a reimbursement agreement with the City of Fontana for the construction of the San Bernardino Regional Lift Station and Force Main to convey wastewater to the Agency’s regional water recycling facility. The City of Fontana received a 20-year loan payable from the State Water Resources Control Board for \$9,577,747, less \$1,596,323 in deferred interest charges for a net loan amount of \$7,981,424. The project was completed on June 30, 2010, title and ownership of the regional lift station and force main was transferred to the Agency from the City of Fontana. The Agency’s obligation to make payments under this reimbursement agreement is subordinate to the Agency’s obligation to make payments under the 2017A Installment Purchase Agreement.

Historic Operating Results

The following table is a summary of historic operating results of the Agency for the Wastewater System, NRW System, and Recycled Water (sometimes collectively referred to herein as the “Agency System”) for the past five Fiscal Years. These results have been derived from the Agency financial statements, but exclude the water resource program, certain non-cash items and include certain other adjustments. The Auditor has neither performed any post-audit review of the financial condition of the Agency nor reviewed or audited the Official Statement.

The presentation of historic operating results below reflects the financial covenants set forth in the 2017A Installment Purchase Agreement, not with respect to any other obligations currently or previously outstanding.

AGENCY SYSTEM
Historic Operating Results
Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues ⁽¹⁾					
Wastewater System Service Charges ⁽²⁾	\$ 49,648,586	\$ 46,696,753	\$ 42,669,716	\$ 39,386,881	\$ 35,144,460
Wastewater Capital Connection Fees ⁽³⁾	24,910,235	15,073,882	9,788,634	14,614,387	7,686,126
Property Tax ⁽⁴⁾	41,335,929	39,446,003	38,486,730	48,086,946	32,694,517
NRW System Service Charges ⁽⁵⁾	11,854,847	11,242,300	8,199,986	7,909,829	6,249,994
Interest	624,871	395,668	510,114	755,578	882,525
Recycled Water Sales ⁽⁶⁾	13,468,182	12,047,164	10,830,500	7,951,605	6,009,468
Water Connection Fees ⁽⁷⁾	702,055	0	0	0	0
Desalter/Composter Services ⁽⁸⁾	4,772,780	4,655,432	4,231,808	4,640,059	3,776,581
Other ⁽⁹⁾	2,234,360	2,407,761	2,066,760	2,582,940	3,378,489
Total Revenues	\$149,551,845	\$131,964,963	\$116,784,248	\$125,928,225	\$95,822,160
Operation and Maintenance Costs					
Wastewater Treatment ⁽¹⁰⁾	\$21,104,320	\$19,001,130	\$20,505,666	\$18,910,308	\$17,377,464
Administration and General ⁽¹¹⁾	22,200,022	28,562,209	30,658,425	22,997,395	21,398,258
Wastewater Disposal ⁽¹⁰⁾	11,148,524	7,996,871	7,705,551	8,612,642	11,316,321
Wastewater Collection	7,510,150	8,088,875	5,622,638	4,656,679	5,629,431
Desalter/Composter O&M	4,772,780	4,655,377	4,231,808	4,640,059	3,776,581
Operations and Maintenance	4,788,211	3,262,561	3,764,958	3,195,541	2,986,686
Other ⁽¹²⁾	3,932,655	1,486,047	457,439	2,081,843	1,722,151
Total Operation and Maintenance Costs	\$75,456,662	\$73,053,070	\$72,946,485	\$65,094,467	\$64,206,892
Net Revenues	\$74,095,138	\$58,911,893	\$43,837,763	\$60,833,758	\$31,615,268
Parity Obligation Debt Service					
2010A Installment Payments ⁽¹³⁾	\$5,291,450	\$5,292,500	\$5,295,150	\$5,286,650	\$5,256,343
2008A Installment Payments	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000
2008B Installment Payments	1,904,849	1,811,533	1,750,447	1,737,000	1,624,171
2005A Installment ⁽¹⁴⁾	0	1,873,854	2,135,933	2,213,213	2,205,825
Total Parity Obligation Debt Service	\$13,446,299	\$15,227,887	\$15,431,530	\$15,486,863	\$15,336,339
Parity Obligation Debt Service Coverage	5.51	3.87	2.84	3.93	2.06
Net Revenues Available to Pay Subordinate Obligations	\$60,648,884	\$43,684,006	\$28,406,233	\$45,346,896	\$16,278,929
Subordinate Obligations					
State Revolving Fund Loans	\$6,642,011	\$4,720,863	\$4,709,347	\$4,660,665	\$2,673,187
SAWPA Sari Capacity Purchase	267,188	267,188	267,188	267,188	267,188
City of Fontana Agreement	562,402	562,402	562,402	562,401	482,578
Total Subordinate Obligations	\$7,471,601	\$5,550,453	\$5,538,937	\$5,490,254	\$3,422,953
Remaining Net Revenue	\$53,177,283	\$38,133,553	\$22,867,296	\$39,856,642	\$12,855,976

⁽¹⁾ Revenues do not include grants in support of capital projects obtained by the Agency in the aggregate principal amount of approximately \$4,700,000 in Fiscal Year 2012, \$2,800,000 in Fiscal Year 2013, \$2,400,000 in Fiscal Year 2014, \$5,900,000 in Fiscal Year 2015, and \$4,800,000 in Fiscal Year 2016.

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- (2) Wastewater System Service Charge per EDU is \$11.14 for Fiscal Year 2012, \$12.39 for Fiscal Year 2013, \$13.39 for Fiscal Year 2014, and \$14.39 for Fiscal Year 2015. In March 2015, the Agency Board of Directors adopted Fiscal Years 2016 – 2017 biennial operating budget. The wastewater system service charge per EDU for Fiscal Year 2016 is \$14.39 from July 1 through September 30, 2015, and \$15.89 from October 1, 2015 through June 30, 2016.
- (3) Wastewater Capital Connection Fees are collected and held by the Contracting Agencies until the Agency requisitions such payments. Effective June 30, 2004, the Agency began recognizing Wastewater Capital Connection Fees held by the Contracting Agencies as revenue when the funds are collected by each Contracting Agency, as opposed to recording such funds as revenue when the Agency calls for the funds.
- (4) Agency share of the County's 1% ad valorem property tax. Tax receipts at the end of the fiscal year were \$41,335,929 (net of the allocation to the Water Resources Fund). General ad-valorem property taxes received from the San Bernardino County Tax Assessor (County) were \$27,400,000 and "pass through" incremental tax receipts (formerly RDA taxes) were \$12,000,000. Actual property tax growth for Fiscal Year 2016 was 4.7% compared to Fiscal Year 2015.
- (5) NRW System Service charges increased starting in Fiscal Year 2015 primarily due to the execution of a the New SDLAC Agreement (30 year term with up to four additional five year extensions). Under the New SDLAC Agreement, thresholds for strength were eliminated resulting in higher strength and imbalance charges. The Agency's NRW rates are pass through to NRW customers for both the Northern and Southern systems.
- (6) Recycled Water sales from Fiscal Years 2011-2015 include approximately \$2,079,000 from MWD Local Projects Program (LPP) rebate which is set to expire in June 2017.
- (7) New water connection fee was implemented in January 2016 with revenues intended to support capital improvement and expansion of the Agency's regional water system, which is comprised of potable water, recycled water, and groundwater recharge facilities.
- (8) Desalter/Composter services revenues include contract cost reimbursement from the following joint powers authorities: Inland Empire Regional Composting Authority (IERCA), and Chino Basin Desalter Authority (CDA). The Agency is responsible for the day to day operation of the IERCA composter and CDA Desalter 1.
- (9) Other revenues includes contract cost reimbursement from groundwater operations partially funded by Chino Basin Watermaster, (c) MWD rebates for public retrofit and lateral recycled water projects, (d) capital construction reimbursements, (e) lease revenue, (f) minor revenues from certain pass-through charges, (g) USBR grant revenues for the Chino Basin Groundwater Supply Wells and Raw Water Pipeline project (\$3,000,000 for Fiscal Year 2016).
- (10) The increases in wastewater treatment and wastewater disposal expenses in Fiscal Year 2016 is primarily due the reclassification of labor costs from administration general expense to maintenance (\$5,100,000), operations (\$5,200,000) and laboratory (\$1,500,000).
- (11) Payment of \$3.5 million against the Agency's Other Post-Employment Benefits ("OPEB") accounted for the significant increases in administrative and general expenses in 2014. In May 2014, the Agency established an irrevocable trust account with California Employer's Retiree Benefit ("CERBT"), and a second payment of \$3.5 million was made in July 2014. The decrease in administrative and general expenses in Fiscal Year 2016 was due to the reclassification of administrative labor costs to operations as noted in footnote 10. The decrease offset non-capital project costs, including the RP-1 Fuel Cell and the Chino Basin Groundwater Supply Wells and Raw Water Pipeline.
- (12) Other expense includes retirement of assets in Fiscal Year 2016 and the reclassified of certain capital projects to Operation and Maintenance expenses in Fiscal Years 2012-2015. At the completion of a project, and prior to capitalization, costs are analyzed to ensure only capital expenditures are appropriately capitalized.
- (13) In Fiscal Year 2011 the 2010A Bonds were issued to refinance \$55,040,000 of Chino Basin Regional Financing Authority Revenue Bonds, Series 1994.
- (14) The 2005A Installment Payments under the 2005 Installment Purchase Agreement which secured in part the issuance of the Chino Basin Regional Financing Authority Revenue Bonds, Series 2005A (Inland Empire Utilities Agency) 2005A Bonds which were scheduled to mature in November 2022 were redeemed in November 2014.

Source: The Agency.

Projected Operating Results

The Agency's estimated projected operating results for the current and next four fiscal years for the Agency System are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the Agency's estimate of the projected financial results based upon the Agency's judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the chart below are material in the development of financial projections for the Agency, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. See the caption "FORWARD LOOKING STATEMENTS."

AGENCY SYSTEM
Projected Operating Results
Fiscal Years Ended June 30

	2017	2018	2019	2020	2021
Revenues ⁽¹⁾ :					
Wastewater System Service Charges ⁽²⁾	\$56,247,715	\$60,558,896	\$64,671,813	\$66,190,396	\$67,716,167
Wastewater Connection Fees ⁽³⁾	17,136,000	18,927,000	19,872,000	18,778,500	20,657,700
Property Tax ⁽⁴⁾	42,749,000	43,620,800	44,518,700	45,135,200	45,764,100
NRW System Service Charges	11,161,500	11,435,909	11,728,327	11,830,755	12,142,193
Interest ⁽⁵⁾	601,708	868,630	1,134,226	1,382,948	1,584,643
Recycled Water Sales ⁽⁶⁾	16,901,000	17,950,000	19,292,000	21,158,000	22,590,000
Water Connection Fees ⁽⁷⁾	2,863,503	4,106,070	4,280,640	4,017,708	4,177,170
Desalter/Composter Services	5,913,343	6,005,497	6,164,522	6,323,828	6,442,487
Other ⁽⁸⁾	3,746,685	3,155,640	191,280	212,880	1,031,880
Total Revenues	\$157,320,454	\$166,628,442	\$171,853,508	\$175,030,215	\$182,106,340
Operation and Maintenance Costs:					
Wastewater Treatment	23,086,861	23,347,649	24,045,744	24,656,455	25,387,604
Administration and General ⁽⁹⁾	50,706,017	49,825,029	41,309,395	40,939,408	42,786,459
Wastewater Disposal	9,716,404	9,826,159	10,119,962	10,376,988	10,684,701
Wastewater Collection	9,828,191	9,939,209	10,236,392	10,496,375	10,807,628
Desalter/Composter Services	5,913,343	6,005,497	6,164,522	6,323,828	6,442,487
Operations and maintenance	3,964,095	4,008,874	4,128,739	4,233,600	4,359,141
Total Operation and Maintenance Costs:	\$103,214,911	\$102,952,417	\$96,004,754	\$97,026,654	\$100,468,020
Net Revenues	\$54,105,543	\$63,676,025	\$75,848,754	\$78,003,561	\$81,638,320
Parity Obligation Debt Service					
2017A Installment Payments ⁽¹⁰⁾	\$0	\$5,041,178	\$5,041,178	\$5,041,178	\$5,041,178
2010A Installment Payments	5,290,450	5,185,050	5,114,625	5,227,000	5,127,625
2008A Installment Purchase Payments ⁽¹¹⁾	6,250,000	0	0	0	0
2008B installment Purchase Payments ⁽¹²⁾	2,514,000	2,780,000	3,180,000	3,200,000	3,539,000
Total Parity Obligation Debt Service	\$14,054,450	\$13,006,228	\$13,335,803	\$13,468,178	\$13,707,803
Parity Obligation Debt Service Coverage ⁽¹³⁾	3.85	4.90	5.69	5.79	5.96
Subordinate Obligations					
State Revolving Fund Loan	\$6,561,760	\$8,054,988	\$8,054,988	\$9,607,170	\$10,110,895
Fontana Loan	562,394	562,394	562,394	562,394	562,394
SAWPA Sari Capacity Purchase	267,186	267,187	-	-	-
Total Subordinate Obligations	\$7,391,340	\$8,884,569	\$8,617,382	\$10,169,564	\$10,673,289
Remaining Net Revenue	\$32,659,753	\$41,785,228	\$53,895,569	\$54,365,819	\$57,257,228

(1) Revenues do not include grants received for capital projects, SRF loan proceeds, or any revenues for the Water Resource Fund.

(2) The wastewater system service charge per EDU for Fiscal Year 2017 is \$17.14, \$18.39 for Fiscal Year 2018, \$19.59 for Fiscal Year 2019, \$20.00 for Fiscal Year 2020, and \$20.40 for Fiscal Year 2021. In March 2015, the Agency's Board adopted rates for Fiscal Years 2016-2020.

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- (3) Wastewater Capital Connection Fees support the acquisition, construction, improvement, and expansion of the Agency's regional wastewater system. Fees are collected and held by the Contracting agencies until the Agency requests such payments. The Agency recognizes wastewater connection fees as revenue when they are collected by the member agencies. In May 2015, the Agency's Board adopted wastewater connection fees for Fiscal Years 2015-2020: \$5,415/EDU effective 1/1/2016; \$6,009/EDU effective 1/1/2017; \$6,309/EDU effective 7/1/2017; \$6,624/EDU effective 7/1/2018; \$6,955/EDU effective 7/1/2019; \$7,651/EDU effective 1/1/2020.
- (4) Includes the Agency's share of the County's 1% ad valorem property tax and "pass-through" incremental taxes (formerly RDA taxes), and net of property tax allocation to the Water Resource Fund. A 3% increase in total property tax receipts is projected for Fiscal Years 2017-2019, and an average of 2% increase thereafter.
- (5) Interest income is based on a projected average rate of return of 0.75%.
- (6) Recycled water sales projected to increase from 34,800 AF in Fiscal Year 2017 to 44,000 AF in Fiscal Year 2021, for both direct and groundwater recharge deliveries. Completion of recycled water facilities in the Cities of Chino and Ontario, primarily servicing industrial users and groundwater recharge basins, account for the projected increase in recycled water deliveries. Revenues are based on the adopted budget recycled water rates. In May 2015, the Agency's Board adopted rates for Fiscal Years 2016-2020; \$410 per AF in Fiscal Year 2017, \$470 per AF in Fiscal Year 2018, and an annual incremental increase of \$10 per AF thereafter for direct deliveries. For groundwater recharge deliveries, a surcharge rate of \$60 per AF is added to the direct delivery rate to support a portion of groundwater recharge basin maintenance operations and maintenance costs not covered by Chino Basin Watermaster, including the Agency's pro rata share of operating costs for recharge basins recharged with recycled water. Recycled water sales also include the MWD's LPP rebate of \$154 per AF for recycled water deliveries in excess of 3,500 AF and up to 17,000 AF per year, excluding groundwater recharge deliveries. The MWD LPP rebate is set to expire in June 2017.
- (7) A new Water Connection fee was implemented in January 2016 with revenues intended to support capital improvement and expansion of the Agency's regional water system, which is comprised of potable water, recycled water, and groundwater recharge facilities.
- (8) Other revenues include: (a) operations and maintenance costs for the groundwater recharge basins partially funded by Chino Basin Watermaster, (b) MWD rebates for public retrofit and lateral recycled water projects, (c) reimbursement of miscellaneous capital construction, (d) lease revenue, and (e) USBR grant revenues for the Chino Basin Groundwater Supply Wells and Raw Water Pipeline project (\$3,000,000 projected in Fiscal 2017 and \$3,000,000 in Fiscal Year 2018).
- (9) Included in Administration and General are employment costs and annual payments of \$4,500,000 towards the Agency's unfunded pension liability. Also included are non-capital project costs which account for the significant increases in Fiscal Year 2017 through Fiscal Year 2018. Approximately \$12,000,000 for the Chino Basin Groundwater Supply Wells and Raw Water Pipeline (partially funded by \$6,000,000 of USBR grants included in Other Revenues), and Agency Wide Aeration Panel Replacement projects.
- (10) Estimated debt service costs for the proposed refinancing of the Bonds (\$75 million par, 3% coupon rate, 20 year term).
- (11) Proposed refunding of the 2008A Bonds in 2017.
- (12) 2008B Series Variable Rate Revenue Demand bond average interest rate of 1.50% in Fiscal Year 2017, 2% Fiscal Year 2018, 3% Fiscal Years 2019-2020, and 4% thereafter.
- (13) Debt service coverage increase starting in Fiscal Year 2018 due to the proposed refinancing of the 2008A Bonds.

Source: The Agency.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Proposition 218

An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the State Constitution. According to the "Title and Summary" of the Initiative prepared by the State Attorney General, the Initiative limits "the Corporation of local governments to impose taxes and property- related assessments, fees and charges."

Article XIID

Article XIID defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIID further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for sewer service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service, (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed, (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (the “*Bighorn Case*”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. As a wholesale water agency, the Agency and Agency General Counsel do not believe Agency rates are subject to the substantive and procedural requirements of Article XIID.

Article XIIC

Article XIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the Bighorn case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. The Agency and Agency General Counsel do not believe that Article XIIC grants to the voters within the Agency the power to repeal or reduce rates and charges in a manner which would be inconsistent with the contractual obligations of the Agency. However, there can be no assurance of the availability of particular remedies adequate to protect the Bond Owners. Remedies available to Bond Owners in the event of a default by the Agency are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

Article XIII A

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution (“Article XIII A”). Article XIII A limits the amount of any ad valorem tax on real property to one percent of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Article XIII A limits the ability of the Agency to collect ad valorem property taxes which are pledged to the payment of the Series 2017A Installment Payments.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by each California county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon the location of reappraised property and the value of property within each taxing agency. Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIII B

An initiative to amend the State Constitution entitled “Limitation of Government Appropriations” was approved on November 6, 1979 thereby adding Article XIII B to the State Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriations of moneys that are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The Agency is of the opinion that its Wastewater System and NRW System service charges for such services in the Agency's service area do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B. The Agency has covenanted in the Series 2017A Installment Purchase Agreement that it will prescribe Agency System rates and charges sufficient to provide for payment of Series 2017A Installment Payments in each year. See the caption "SECURITY FOR THE BONDS — Rate Covenant."

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

Bankruptcy

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the Bonds and the Series 2017A Installment Purchase Agreement 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. 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 D), will be similarly qualified.

THE AUTHORITY

The Authority is a joint exercise of powers agency organized under the provisions of the Act and a Joint Exercise of Powers Agreement, dated as of May 1, 1993 (the "Joint Powers Agreement") between the Agency and the CVWD to provide for the financing of public capital improvements for the members of the Authority and other local agencies through the acquisition by the Authority of such public capital improvements, the purchase by the Authority of indebtedness of the members of the Authority and other local agencies pursuant to bond purchase agreements, and the lending or providing of funds by the Authority to the members of the Authority and other local agencies, and any other transaction authorized by law. Under the Act, the Authority has the power to issue bonds to pay the costs of public capital improvements.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel, and certain other conditions. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each Bond. The Underwriter is being represented by its counsel, [_____]. Certain legal matters will be passed on for the Authority and the Agency by JC Law Firm, Chino Hills, California, and for the Trustee by Dorsey & Whitney LLP, Costa Mesa, California.

Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

The fees being paid to Bond Counsel, counsel to the Underwriter and the Underwriter are contingent upon the issuance of the Bonds.

Payment of the fees of Bond Counsel is contingent on the issuance of the Bonds. Bond Counsel represents the Authority and the Agency in connection with the issuance of the Bonds. Bond Counsel represents the Underwriter from time-to-time on matters unrelated to the Authority, the Agency or the Bonds. Bond Counsel does not represent the Underwriter or any other party in connection with the issuance of the Bonds.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the issuance of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity of the Bonds, the Indenture, or any action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the Bonds or any action of the Authority contemplated by any of said documents, nor to the knowledge of the Authority, is there any basis therefor.

CONTINUING DISCLOSURE

The Agency has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than 270 days following the end of the Agency's Fiscal Year (currently its Fiscal Year ends on the last day of June) (the "Annual Report"), commencing with the report for Fiscal Year ending June 30, 2016, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in Appendix D — "FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

In early January 2014, Agency staff codified its disclosure policies and procedures in a document entitled "Inland Empire Utilities Agency Disclosure Procedures" (the "Disclosure Policies and Procedures"). On May 21, 2014 the Agency's Board of Directors formally adopted the Disclosure Policies and Procedures.

In 2014, the Agency was informed that the underwriter of the 2010A Bonds self-reported the Agency under the Municipalities Continuing Disclosure Cooperation Initiative of the U.S. Securities Exchange Commission (the "MCDC Initiative") solely because the Agency filed its continuing disclosure annual report for Fiscal Year 2005 94 days later the due date under a continuing disclosure undertaking executed by the Agency in connection with Authority bonds issued in 1999. The Agency then determined to self-report under the MCDC Initiative on December 1, 2014, even though the Agency did not believe that such late filing or certain other failures (which included certain discrepancies in information provided in annual reports and certain significant event filings) to comply

with its prior continuing disclosure obligations rendered the Agency's prior disclosures materially misleading.

The Agency's Board of Director's adopted an update to the Disclosures Policies and Procedures on November 16, 2016 entitled "Inland Empire Utilities Agency Policy for Disclosure Procedures" (the "Policy for Disclosure Procedures"). A copy of the updated Policy for Disclosure Procedures has been provided to the Underwriter and is available from the Chief Financial Officer of the Agency at 6075 Kimball Avenue, Chino, California 91708, Telephone: (909) 993-1673.

The Agency believes that it has not failed to comply with the terms of its existing continuing disclosure agreements in the last five years in any material respect.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Bonds is based upon certain representations of fact and certifications made by the Agency and others and is subject to the condition that the Agency complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency has covenanted to comply with all such requirements.

The Bonds that have a yield that is higher than their respective stated interest rates, as shown on the inside cover page, are being sold with original issue discount (the "Discount Bonds"). The excess of the stated redemption price at maturity of a Discount Bond over the issue price of such Discount Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Discount Bond Owner before receipt of cash attributable to such income. The amount of original issue discount deemed received by the Discount Bond Owner will increase the Discount Bond Owner's basis in the respective Discount Bond. For federal tax purposes, original issue discount is treated as interest on a Discount Bond.

The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received with respect to the Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the

Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Bonds. Before purchasing any of the Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Bonds.

Bond Counsel’s opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A complete copy of the proposed opinion of Bond Counsel is set forth in Appendix C—“FORM OF BOND COUNSEL OPINION.”

RATINGS

The Authority expects that Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”) will assign the Bonds the rating of “___” (_____) and that Moody’s Investors Service (“Moody’s”) will assign the Bonds the rating of “___” (______). Such ratings reflect only the views of S&P and Moody’s, respectively, and an explanation of the significance of such ratings may be obtained from S&P and Moody’s. The Authority makes no representation as to the appropriateness of the ratings. Further, there is no assurance that the rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if, in the sole

judgment of such S&P or Moody's, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on trading value and the market price of the Bonds. The Authority undertakes no responsibility either to bring to the attention of the owners of the Bonds any downward revisions or withdrawal of any ratings obtained or to oppose any such revision or withdrawal.

The Agency has covenanted in a Continuing Disclosure Certificate to file on EMMA, notices of any rating changes on the Bonds. See the caption "CONTINUING DISCLOSURE" above and Appendix D—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the Agency and prior to the date the Agency is obligated to file a notice of rating change on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). Purchasers of the Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

In providing a rating on the Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology which may not reflect the provisions of the Indenture. The Agency makes no representations as to any such calculations, and such calculations should not be construed as a representation by the Agency as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of Debt Service or for any other purpose.

MUNICIPAL ADVISOR

The Agency has retained Public Financial Management, Inc., Los Angeles, California, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. The Municipal Advisor 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. The fees being paid to the Municipal Advisor are contingent upon the issuance of the Bonds.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Bonds will be purchased by [_____], the underwriter (the "Underwriter"), under a Purchase Agreement, dated _____, 2017, pursuant to which the Underwriter has agreed to purchase all of the Bonds for an aggregate purchase price of \$[_____] which represents the par amount of the Bonds plus/less net original issue premium/discount of \$[_____] less an Underwriter's discount of \$[_____]. The Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

In connection with the offering of the Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing

Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

FORWARD LOOKING STATEMENTS

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

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 DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

CHINO BASIN REGIONAL FINANCING AUTHORITY

By: _____
President

APPENDIX A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Installment Purchase Agreement and the Indenture which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive and reference should be made to the Installment Purchase Agreement and the Indenture for a full and complete statement of their provisions. All capitalized terms not defined in the body of the Official Statement have the meanings set forth in the Installment Purchase Agreement and the Indenture.

APPENDIX C

FORM OF BOND COUNSEL OPINION

Upon issuance of Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinions with respect to the Bonds in substantially the following forms:

[DATE OF CLOSING]

Chino Basin Regional Financing Authority
6075 Kimball Avenue, Building A
Chino, California 91710

Re: \$_____ *Chino Basin Regional Financing Authority*
Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Chino Basin Regional Financing Authority (the "Authority"), a public entity of the State of California, of \$_____ aggregate principal amount of Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (the "Bonds") under and pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended (the "Act") and the provisions relating to refunding of bonded indebtedness of local agencies found in Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "Refunding Act"), and under and pursuant to an Indenture of Trust (the "Indenture"), dated as of January 1, 2017, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

Our services as Bond Counsel were limited to a review of the legal proceedings required for the authorization and issuance of the Bonds. We have reviewed originals or copies identified to our satisfaction as being true copies of (i) the Indenture; and (ii) certain other records of the Authority. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of Authority officers furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after the examination described above and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth above, we are of the opinion that:

1. The Authority has lawful authority under the Act and the Refunding Act to enter into the Indenture and the Authority has duly authorized, executed and delivered the Indenture and, assuming due authorization, execution and delivery by the respective other parties thereto, the Indenture is a legal, valid and binding obligation of the Authority enforceable in accordance with its terms. The Indenture creates a valid pledge of the Revenues (as defined in the Indenture), subject to the provisions thereof permitting the application thereof for the purposes and on the terms and conditions set forth therein.

2. The Authority has lawful authority to issue the Bonds and the Bonds have been duly and validly authorized and issued by the Authority in accordance with the Constitution and statutes of the State of California, including the Act, the Refunding Act and the Indenture. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms. The Bonds are special obligations of the Authority payable solely from Revenues and amounts on deposit in certain funds and accounts held under the Indenture. The Bonds are not an obligation of the State of California, any public agency thereof (other than the Authority) or any member of the Authority; and neither the faith and credit nor the taxing powers of the State of California or any public agency thereof or any member of the Authority is pledged for the payment of the Bonds.

3. Under existing statutes, regulations, rulings and judicial decisions, 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 calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

5. Interest on the Bonds is exempt from State of California personal income tax.

6. The excess of the stated redemption price at maturity over the issue price of a Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues to the Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax; however, it should be noted that, with respect to corporations, original issue discount on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

7. The amount by which a Bond owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinions expressed herein as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is subject to the condition that the Authority and the Inland Empire Utilities Agency (the "Agency") comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the Agency each have covenanted to comply with all such requirements.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume to responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur. The Indenture and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds. Our engagement as Bond Counsel terminates upon the issuance of the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

APPENDIX D

Upon the issuance of the Bonds, the Agency proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[TO BE INSERTED BY BOND COUNSEL]

APPENDIX E

INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership

interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Inland Empire Utilities Agency* (the "Agency") in connection with the execution and delivery of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) in the amount of \$_____ (the "Bonds"). The Bonds are being issued and delivered pursuant to a Indenture of Trust, dated as of January 1, 2017 (the "Indenture"), by and between the Chino Basin Regional Financing Authority (the "Authority") and U.S. Bank National Association as trustee (the "Trustee"). The Agency covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

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

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

"EMMA" shall mean the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

"Fiscal Year" shall mean the one-year period ending on the last day of June of each year.

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

"Official Statement" shall mean the Official Statement of the Authority dated January __, 2017 related to the Bonds

"Owner" means a registered owner of the Bonds.

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

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

* A municipal water district.

“State” shall mean the State of California.

3. Provision of Annual Reports.

(a) The Agency shall provide not later than 270 days following the end of its Fiscal Year (commencing with the Fiscal Year 2016) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Agency is unable to provide to EMMA an Annual Report by the date required in subsection (a), the Agency shall send to EMMA a notice in manner prescribed by the Municipal Securities Rulemaking Board.

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

(a) The audited financial statements of the Agency for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4(1), the Annual Report shall contain unaudited financing statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) Principal amount of the Bonds outstanding.

(c) An update of the information in the following tables in the Official Statement for the most recent fiscal year only:

1. “THE AGENCY — Regional Wastewater System – Wastewater System Rates and Charges – Sewer Charges”;
2. “THE AGENCY — Regional Wastewater System – Wastewater Facility Usage”;
3. “THE AGENCY — Regional Wastewater System – Wastewater System Revenues”;
4. “THE AGENCY — Non-Reclaimable Water System – Non-Reclaimable Wastewater System Rates and Charges”;
5. “THE AGENCY — Wastewater System – Non-Reclaimable Wastewater System – NRW System Revenues”; and
6. “THE AGENCY - Recycled Water System – Revenues.”

If the information in section 4(c) above can be derived from the audited financial statements required to be filed in 4(a) above, failure to file separate tables under section 4(c) above shall not

constitute a default hereunder. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the Agency shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

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

(b) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of Bond holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Agency shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the Agency shall provide to any person financial information and operating data regarding the Agency which is customarily prepared by the Agency and is publicly available.

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

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, or another nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. The Agency will provide notice of such amendment to the Municipal Securities Rulemaking Board.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the Agency to file an annual report under Section 4 hereof or to file a report of a significant event under Section 5 hereof, any Owners or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking

INSTALLMENT PURCHASE AGREEMENT

by and between

INLAND EMPIRE UTILITIES AGENCY*

and

CHINO BASIN REGIONAL FINANCING AUTHORITY

Dated as of January 1, 2017

relating to

\$ _____

CHINO BASIN REGIONAL FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2017A
(INLAND EMPIRE UTILITIES AGENCY)

* *A Municipal Water District.*

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into and dated as of January 1, 2017 by and between INLAND EMPIRE UTILITIES AGENCY, a municipal water district duly organized and existing under and by virtue of the laws of the State of California (the "Agency"), and CHINO BASIN REGIONAL FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority").

WITNESSETH:

WHEREAS, the Agency entered into the Installment Purchase Agreement (Improvement Project), dated as of November 1, 2008, with the Authority and the Installment Purchase Agreement (Replacement Project), dated as of November 1, 2008, (collectively, the "Installment Purchase Agreement") to finance certain capital improvements to its wastewater system (described in Exhibit B hereto and referred to as the "Project");

WHEREAS, the Authority issued the Chino Basin Regional Authority Revenue Bonds, Series 2008A (Inland Empire Utilities Agency) (the "2008A Bonds") pursuant to an Indenture of Trust, dated as of November 1, 2008, by and between the Authority and U.S. National Bank Association, which 2008A Bonds were secured by installment payments payable by the Agency under the Installment Purchase Agreement; and

WHEREAS, the Agency desires to refinance its payment obligation with respect to the Project to achieve lower borrowing costs; and

WHEREAS, the Authority will issue and cause U.S. Bank National Association, as trustee (the "Trustee"), to authenticate and deliver bonds ("Series 2017A Bonds"), secured by the payments to be made by the Agency to the Authority under this Installment Purchase Agreement, pursuant to an Indenture of Trust, dated as of January 1, 2017 by and between the Authority and the Trustee; and

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

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

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the

following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. Unless the context otherwise requires, all capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture.

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

Agreement. The term "Agreement" means this Agreement, by and between the Agency and the Authority, dated as of January 1, 2017, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Agency. The term "Agency" means Inland Empire Utilities Agency, a municipal water district duly organized and existing under and by virtue of the laws of the State of California.

Agency System. The term "Agency System" means all facilities of the Agency other than the Water System and the Separate Facilities.

Authority. The term "Authority" means the Chino Basin Regional Financing Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement and the laws of the State of California

Bonds. The term "Bonds" means all revenue bonds or notes of the Agency authorized, executed, issued and delivered by the Agency, the payments of which are on a parity with the Installment Payments and which are secured by a pledge of and lien on the Revenues as described in Section 5.1 hereof.

Business Day. The term "Business Day" means a day other than: a Saturday or Sunday or a day on which (i) banks located in the city in which the principal corporate trust office of the Trustee is located are not required or authorized to remain closed, and (ii) on which The New York Stock Exchange is not closed.

Contracts. The term "Contracts" means this Installment Purchase Agreement and any amendments and supplements hereto, and all contracts of the Agency previously or hereafter authorized and executed by the Agency, the Parity Installment Payments under which are on a parity with the Installment Payments and which are secured by a pledge and lien on the Revenues as described in Section 5.1 hereof, including the 2008B Installment Purchase Agreement and the 2010A Installment Purchase Agreement, but excluding contracts entered into for operation and maintenance of the Agency System.

Continuing Disclosure Certificate. The term "Continuing Disclosure Certificate" means the Continuing Disclosure Certificate of the Agency dated as of ____, 2017, as it may be amended or supplemented in accordance with the provisions thereof.

Date of Operation. The term "Date of Operation" means, with respect to any uncompleted Parity Project, the estimated date by which such uncompleted Parity Project will have been completed and, in the opinion of an engineer, will be ready for operation by or on behalf of the Agency.

Debt Service. The term "Debt Service" means, for any Fiscal Year, the sum of:

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

(2) those portions of the principal amount of all outstanding serial Bonds maturing in such Fiscal Year (but excluding Excluded Principal);

(3) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such Fiscal Year (but excluding Excluded Principal); and

(4) those portions of the Parity Installment Payments required to be made during such Fiscal Year (except to the extent the interest evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the Agency by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111 5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

provided that, as to any such Bonds or Parity Installment Payments bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of

- (i) the actual rate on the date of calculation, or if such Contract or Bond is not yet outstanding, the initial rate (if established and binding), and
- (ii) the highest average variable rate borne over a six month period during the preceding 24 months by outstanding variable rate debt issued by the Agency or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

and provided further that if any series or issue of such Bonds or Parity Installment Payments have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year (and such principal is not Excluded Principal), Debt Service shall be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of such Bonds or Parity Installment Payments were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of forty (40) years from the date of calculation;

and provided further that, as to any such Bonds or Parity Installment Payments or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Parity Installment Payments or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service in the Fiscal Year when due;

and provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the Agency with respect to such Paired Obligations; and

provided further that for Contracts which are interest rate swap agreements which do not constitute Paired Obligations but for which an Independent Financial Consultant certifies that such Contracts has a fixed spread component payable to the Agency, Debt Service shall be credited by an amount equal to the lesser of (i) the average of the actual payment received by the Agency over the last three Fiscal Years (or if outstanding less than three years, over the period outstanding) and (ii) the fixed spread component.

Event of Default. The term “Event of Default” means an event described in Section 8.1.

Excluded Principal. The term “Excluded Principal” means each payment of principal of Bonds or Contracts with a maturity of less than 42 months and which the Agency specifies in a certificate signed by the Manager and filed with the Trustee that the Agency intends to pay from the proceeds of Bonds or Contracts, other bonds, notes or other obligations of the Agency or moneys other than Revenues or Net Revenues. No such determination shall affect the security for such Bonds or Contracts or the obligation of the Agency to pay such Bonds or Contracts from Net Revenues.

Fiscal Year. The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the Agency.

Generally Accepted Accounting Principles. The term “Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Indenture. The term “Indenture” means the Indenture of Trust executed and entered into as of January 1, 2017, by and between the Authority and U.S. Bank National Association, relating to the Series 2017A Bonds, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

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

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the Agency, and who, or each of whom: (1) is in fact independent and not under domination of the Agency; (2) does not have any substantial interest, direct or indirect, with the Agency; and (3) is not connected with the Agency as an officer or employee thereof, but who may be regularly retained to make reports thereto.

Installment Payment Date; Parity Installment Payment Date. The term “Installment Payment Date” means the fifth day prior to each Interest Payment Date, or if said date is not a Business Day,

then the preceding Business Day. The term “Parity Installment Payment Date” means each date on which Parity Installment Payments are scheduled to be paid by the Agency under and pursuant to any Contract.

Installment Payments; Parity Installment Payments. The term “Installment Payments” means the Installment Payments of interest and principal scheduled to be paid by the Agency under and pursuant hereto. The term “Parity Installment Payments” means the payments of interest and principal or other scheduled payments scheduled to be paid by the Agency under and pursuant to the Contracts.

Joint Exercise of Powers Agreement. The term “Joint Exercise of Powers Agreement” means the Joint Exercise of Powers Agreement, dated as of May 1, 1993, by and between the Chino Basin Municipal Water District and the Cucamonga County Water District, as amended and supplemented from time to time in accordance therewith.

Law. The term “Law” means the Municipal Water Agency Law of the State of California (being Division 20 of the Water Code of the State of California, as amended) and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and in each case all laws amendatory thereof or supplemental thereto.

Manager. The Term “Manager” means the General Manager of the Agency, or any other person designated by the General Manager to act on behalf of the General Manager.

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

Net Revenues. The term “Net Revenues” means, for any Fiscal Year, the Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means (1) costs spent or incurred for maintenance and operation of the Agency System calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Agency System in good repair and working order, and including administrative costs of the Agency that are charged directly or apportioned to the Agency System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, consultants or engineers and insurance premiums, and including all other reasonable and necessary costs of the Agency or charges required to be paid by it to comply with the terms of this Agreement or any other Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds and (2) all payments under Operation and Maintenance Obligations, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, including amortization of water rights, unrealized losses on investments, write offs of the value of any impaired assets or other bookkeeping entries of a similar nature.

Operation and Maintenance Obligation. The term “Operation and Maintenance Obligation” means any contractual obligation with respect to any facilities, properties, structures, works, services,

water or rights to receive water, or any loan of credit to or guaranty of debts, claims or liabilities of any other person (including a joint powers agency of which the Agency is a member) with respect to any facilities, properties, structures, works, services, water or rights to receive water, so long as in each case the payments thereunder are designated as Operation and Maintenance Costs by the Board of Directors of the Agency; provided however Bonds and Contracts shall not constitute Operation and Maintenance Obligations.

Paired Obligations. The term “Paired Obligations” means any Bond or Contract (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates which, taken together, are reasonably expected to result in a fixed interest rate obligation of the Agency for the term of such Bond or Contract, as certified by an Independent Financial Consultant in writing.

Participating Underwriter. The term “Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

Project; Parity Project. The term “Project” has the meaning ascribed thereto in first WHEREAS clause herein. The term “Parity Project” means any additions, betterments, extensions or improvements to the Agency System designated by the Board of Directors of the Agency as a Parity Project, the acquisition and construction of which is to be paid for with the proceeds of any Contracts or Bonds.

Purchase Price. The term “Purchase Price” means the principal amount plus interest thereon owed by the Agency to the Authority under the terms hereof as provided in Section 4.1.

Regional Contract. The term “Regional Contract” means the Chino Basin Regional Sewage Service Contract, made and entered into on August 14, 1972, as amended and supplemented from time to time.

Revenue Fund. The term “Revenue Fund” means (i) all revenue accounts maintained by the Agency as of the date of this Agreement other than the Water Resources Fund and (ii) any revenue account created after the date of this Agreement and designated by the Chief Financial Officer of the Agency as a part of the Revenue Fund.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Agency System, including, without limiting the generality of the foregoing,

- (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Agency from the sale, furnishing and supplying of sewer services, composting services or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Agency System, including the Agency’s share of the County of San Bernardino’s 1% ad valorem property tax (to the extent allocated to the Revenue Fund), determined in accordance with Generally Accepted Accounting Principles, plus

(2) the earnings on and income derived from the investment of the amounts described in clauses (1) hereof, including the Agency's share of the County of San Bernardino's 1% ad valorem property tax (to the extent allocated to the Revenue Fund), and the general unrestricted funds of the Agency,

but excluding in all cases revenues derived from ownership or operation of the Water System and the Separate Facilities, customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Agency, and excluding any proceeds of taxes restricted by law to be used by the Agency to pay bonds hereafter issued.

Separate Facilities. The term "Separate Facilities" means any facilities of the Agency constructed or acquired on or after the date hereof from the proceeds of bonds, notes or other obligations of the Agency which do not have a parity claim on the Revenues.

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

2008A Bonds. The term "2008A Bonds" means those certain Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A (Inland Empire Utilities Agency).

2008B Installment Purchase Agreement. The term "2008B Installment Purchase Agreement" means the Installment Purchase Agreement, dated as of March 1, 2008, by and between the Agency and the Authority.

2010A Installment Purchase Agreement. The term "2010A Installment Purchase Agreement" means the Installment Purchase Agreement, dated as of May 1, 2010, by and between the Agency and the Authority.

Water System. The term "Water System" means the whole and each and every part of the water system of the Agency, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such water system or any part thereof hereafter acquired or constructed.

Written Consent of the Authority or Agency, Written Order of the Authority or Agency, Written Request of the Authority or Agency, Written Requisition of the Authority or Agency. The terms "Written Consent of the Authority or Agency," "Written Order of the Authority or Agency," "Written Request of the Authority or Agency," and "Written Requisition of the Authority or Agency" mean, respectively, a written consent, order, request or requisition signed by or on behalf of (i) the Authority by its Authorized Representative or (ii) the Agency by the President of its Board of Directors or its General Manager or by the Secretary of its Board of Directors or by any two persons (whether or not officers of the Board of Directors of the Agency) who are specifically authorized by resolution of the Agency to sign or execute such a document on its behalf.

ARTICLE II

REPRESENTATIONS AND WARRANTIES: OPINIONS OF COUNSEL

Section 2.1. Representations by the Agency. The Agency makes the following representations:

(a) The Agency is a municipal water district duly organized and existing under and pursuant to the laws of the State of California.

(b) The Agency has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Agreement, and the Agency has complied with the provisions of the Law in all matters relating to such transactions.

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

(d) The Agency will not take or, to the extent within its power, permit any action to be taken which results in the interest paid for the installment purchase of the Project under the terms of this Agreement being included in the gross income of the owners of the Series 2017A Bonds, or its assigns for purposes of federal or State of California income taxation.

(e) The Agency has determined that it is necessary and proper for Agency uses and purposes within the terms of the Law that the Agency refinance the acquisition and construction of the Project in the manner provided for in this Agreement.

Section 2.2. Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

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

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

(c) The Authority will not take or permit any action to be taken which results in interest paid for the installment purchase of the Project under the terms of this Agreement being included in the gross income of the owners of the Series 2017A Bonds for purposes of federal or State of California income taxation.

ARTICLE III

SALE AND PURCHASE OF THE PROJECT

Section 3.1. Sale and Purchase of the Project. In consideration for the Authority's assistance in refinancing the Project, the Agency agrees to sell, and hereby sells, to the Authority,

and the Authority agrees to purchase and hereby purchases, from the Agency, the Project in the manner and in accordance with the provisions of this Agreement.

Section 3.2. Purchase and Sale of the Project. In consideration for the Installment Purchase Payments as set forth in Section 4.2, the Authority agrees to sell, and hereby sells, to the Agency, and the Agency agrees to purchase, and hereby purchases, from the Authority, the Project at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Agreement.

Section 3.3. Title. All right, title and interest in the Project shall vest in the Agency immediately upon execution and delivery of this Agreement. Such vesting shall occur without further action by the Authority or the Agency and the Authority shall, if required by the Agency or, if necessary to assure such automatic vesting deliver any and all documents required to assume such vesting.

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.1. Purchase Price.

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

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

(c) The interest to accrue on the unpaid balance of the Purchase Price shall be equal to the interest payable with respect to the Series 2017A Bonds as provided in Section 2.03 of the Indenture, and shall be paid by the Agency as and constitute interest paid on the principal amount of the Agency's obligations hereunder.

Section 4.2. Installment Payments. The Agency shall, subject to any rights of prepayment provided in Article VII, pay the Authority the Installment Payments set forth in Section 4.1.

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

The obligation of the Agency to make the Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the Agency will not discontinue or suspend any Installment Payments required to be made by it under this section when due, whether or not the Agency System or any part thereof is operating or operable, or its use is suspended, interfered

with, reduced or curtailed or terminated in whole or in part, and whether or not the Project has been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

SECURITY

Section 5.1. Pledge of Revenues. All Revenues and all amounts on deposit in the Revenue Fund are hereby irrevocably pledged to the payment of the Installment Payments as provided herein and the Revenues shall not be used for any other purpose while any of the Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on Revenues and, subject to application of amounts on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created hereunder for the payment of the Installment Payments and all other Contracts and Bonds in accordance with the terms hereof and the Indenture.

Section 5.2. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the Agency agrees and covenants that all Revenues shall be received by the Agency in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund includes the accounts described in the definition thereof and which fund the Agency agrees and covenants to maintain and to hold separate and apart from other funds so long as any Contracts or Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the Agency as provided in this Agreement.

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

(a) Installment Payments. Not later than each Installment Payment Date, the Agency shall, from the moneys in the Revenue Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date for deposit in the Bond Payment Fund. The Agency shall also, from the moneys in the Revenue Fund, transfer to the applicable (i) trustee for deposit in the respective payment fund, or (ii) payee, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(b) Reserve Accounts. On or before each Installment Payment Date the Agency will, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts other than the 2017A Installment Purchase

Agreement, that sum, if any, necessary to restore such reserve funds and/or accounts to an amount equal to the required balance.

(c) Surplus. Moneys on deposit in the Revenue Fund on each Installment Payment Date not necessary to make any of the payments required above may be expended by the Agency at any time for any purpose permitted by law, subject to compliance with Sections 6.1 and 6.13 hereof.

Section 5.3. Additional Contracts and Bonds. The Agency may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(a) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the Agency and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the Agency, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year; and

(b) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges with respect to the Agency System approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the Agency, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(c) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project, as evidenced by a certificate of the General Manager of the Agency on file with the Agency, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received with respect to the Agency System and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the Manager on file with the Agency, shall produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

(d) This Section 5.3 (a), (b) and (c) notwithstanding, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased in any Fiscal Year in which Bonds or Contracts (outstanding on the date of issuance or incurrence of such refunding Bonds or Contracts, but excluding such refunding Bonds or Contracts) not being refunded are outstanding.

(e) Nothing herein shall preclude the Agency from issuing any bonds or executing contracts under which the payments from Net Revenue are subordinate to any Bonds or Contracts of the Agency.

Section 5.4. Investments. All moneys held by the Agency in the Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

ARTICLE VI

COVENANTS OF THE AGENCY

Section 6.1. Compliance with Installment Purchase Agreement and Ancillary Agreements. The Agency will punctually pay the Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

It is expressly understood and agreed by and among the parties to this Agreement that, subject to Section 10.6 hereof, each of the agreements, conditions, covenants and terms contained in this Agreement is an essential and material term of the purchase of and payment for the Project by the Agency pursuant to, and in accordance with, and as authorized under the Law.

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

Section 6.2. Against Encumbrances. The Agency will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as permitted hereby. The Agency may at any time, or from time to time, (i) issue Contracts and Bonds as permitted herein, or (ii) issue or incur evidences of indebtedness or incur other obligations, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.3. Against Sale or Other Disposition of Property. The Agency will not enter into any agreement or lease which impairs the operation of the Agency System or any part thereof necessary to secure adequate Net Revenues to meet the requirements of this Agreement, or which would otherwise impair the rights of the Authority hereunder or the operation of the Agency System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Agency System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the Agency to pay the Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

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

Section 6.4. Against Competitive Facilities. To the extent that it can so legally obligate itself, the Agency covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the Agency any system competitive with the Agency System.

Section 6.5. Tax Covenants. Notwithstanding any other provision of this Agreement, absent an opinion of Special Counsel that the exclusion from gross income of interest with respect to the Series 2017A Bonds, will not be adversely affected for federal income tax purposes, the Agency and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Agency and the Authority will not take or omit to take any action or make any use of the proceeds of the Series 2017A Bonds or of any other moneys or property which would cause the Series 2017A Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) Arbitrage. The Agency and the Authority will make no use of the proceeds of the Series 2017A Bonds, or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Series 2017A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The Agency and the Authority will make no use of the proceeds of the Series 2017A Bonds, or take or omit to take any action that would cause the applicable Series 2017A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The Agency and the Authority will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code.

(e) Miscellaneous. The Agency and the Authority will take no action inconsistent with the expectations stated in any Tax Certificate executed with respect to the Series

2017A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 6.6. Maintenance and Operation of the Agency System. The Agency will maintain and preserve the Agency System in good repair and working order at all times and will operate the Agency System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.7. Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or on any funds in the hands of the Agency pledged to pay the Installment Payments or to the Owners prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Payments.

Section 6.8. Compliance with Contracts. The Agency will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the Agency to secure adequate Net Revenues to meet the requirements of this Agreement; and the Agency will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Agency System, to the extent that the Agency is a party thereto.

Section 6.9. Insurance.

(a) The Agency will procure and maintain or cause to be procured and maintained insurance on the Agency System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Agency System) as are usually covered in connection with facilities similar to the Agency System so long as such insurance is available from reputable insurance companies.

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

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Agency System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Agency System, then the excess Net Proceeds shall be applied in part to the prepayment of Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the Agency to retire the entire obligation evidenced hereby prior to the final due date of the Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the Agency may elect not to reconstruct,

repair or replace the damaged or destroyed portion of the Agency System, and/or not to construct other additions, betterments, extensions or improvements to the Agency System; and thereupon such Net Proceeds shall be applied to the prepayment of Installment Payments as provided in Article VII and to the retirement of such Bonds and Contracts.

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

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

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

Section 6.10. Accounting Records; Financial Statements and Other Reports. The Agency will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Agency System, which records shall be available for inspection by the Authority, including agents and assignees of and lenders to the Authority and the Trustee at reasonable hours and under reasonable conditions.

Section 6.11. Protection of Security and Rights of the Authority. The Agency will preserve and protect the security hereof and the rights of the Authority and the assignee thereof to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.12. Payment of Taxes and Compliance with Governmental Regulations. The Agency will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency System, or any part thereof or upon the Revenues when the same shall become due. The Agency will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Agency System, or any part thereof, but the Agency shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.13. Amount of Rates and Charges. (a) To the fullest extent permitted by law, the Agency shall fix and prescribe, at the commencement of each Fiscal Year, rates and charges with respect to the Agency System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred fifteen percent (115%) of Debt Service for such Fiscal Year. The Agency may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this section.

(b) For avoidance of doubt, so long as the Agency has complied with its obligations set forth in Section 6.13(a) above, the failure of Net Revenues to meet the threshold set forth in Section 6.13(a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the Agency has complied with Section 6.13(a) at the commencement of the succeeding Fiscal Year.

Section 6.14. Collection of Rates and Charges. The Agency will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Agency System and providing for the billing thereof and for a due date and a delinquency date for each bill.

Section 6.15. Eminent Domain Proceeds. If all or any part of the Agency System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the Agency files with the Authority and the Trustee a certificate showing (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the Agency by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Agency System proposed to be acquired and constructed by the Agency from such Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the Agency, on the basis of such certificate filed with the Authority and the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the Agency to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the Agency shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the Agency for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the Agency in part to the prepayment of Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.16. Further Assurances. The Agency will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority and the assignee thereof the rights and benefits provided to it herein.

Section 6.17. Enforcement of Contracts. The Agency will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner materially impair or materially adversely affect the ability of the Agency to secure adequate Net Revenues to meet the requirements of this Agreement. For avoidance of doubt, the expiration of the Regional Contract shall not constitute a material impairment or constitute a material adverse effect on the Agency's ability to secure adequate Net Revenues to meet the requirements of this Agreement.

Section 6.18. Continuing Disclosure. The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner of Series 2017A Bonds or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2017A Bonds (including persons holding Series 2017A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2017A Bonds for federal income tax purposes."

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1. Prepayment.

(a) The Agency may or shall, as the case may be, prepay from the Net Proceeds as provided herein on any date, all or any part on any Installment Payment Date, of the principal amount of the unpaid Installment Payments at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

(b) The Agency may optionally prepay the Installment Payments in accordance with the schedule set forth in Section 4.01(a) of the Indenture.

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

Section 7.2. Method of Prepayment. Before making any prepayment pursuant to Section 7.1(a), the Agency may, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment of the Series 2017A Bonds will be paid, which date shall be not less than sixty (60) days from the date such notice is given, unless such prepayment must occur on an Interest Payment Date, in which case such date shall be the next Interest Payment Date with respect to which notice of prepayment may be timely given pursuant to the Indenture.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say --

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

(b) if default shall be made by the Agency in the performance of any of the other agreements or covenants required herein or in any Contract or Bond to be performed by it, and such default shall have continued for a period of sixty (60) days after the Agency shall have been given notice in writing of such default by the Authority;

(c) if the Agency shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Agency seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property; or

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

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

Section 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Revenues thereafter received shall be applied in the following order -

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Authority and Trustee, if any, including reasonable compensation to its accountants and counsel;

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

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

Section 8.3. Other Remedies of the Authority. The Authority shall have the right:

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

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

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

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

Section 8.4. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

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

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

Section 8.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

If any remedial action is discontinued or abandoned, the Trustee and Series 2017A Bond Owners shall be restored to their former positions.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Obligations.

(a) When all or any portion of the Installment Payments become due and payable in accordance herewith or a written notice of the Agency to prepay all or any portion of the Installment Payments is filed with the Trustee; and

(b) there has been deposited with the Trustee at or prior to the Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Installment Payments, sufficient moneys and non-callable Permitted Investments, issued by the United States of America and described in clause (a) and (b) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Installment Payments to their respective Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee,

then and in that event, if an opinion of Special Counsel acceptable to the Trustee is filed with the Trustee to the effect that the actions authorized by and taken as described under this heading will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments, the right, title and interest of the Authority herein and the obligations of the Agency hereunder shall, with respect to all or such portion of the Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the Agency to have such moneys and such Permitted Investments applied to the payment of such Installment Payments).

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

Trustee in trust for the payment of the Installment Payments and will be applied by the Trustee to the payment of the Installment Payments of the Agency.

ARTICLE X

MISCELLANEOUS

Section 10.1. Liability of Agency Limited to Net Revenues. The obligation of the Agency to make the Installment Payments is a special obligation of the Agency payable solely from the Net Revenues, and does not constitute a debt of the Agency or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Notwithstanding anything contained in the Agreement, the Agency shall not be required to advance any moneys derived from any source of income other than the Net Revenues and the other funds provided in the Agreement for the payment of Installment Payments due hereunder or for the performance of any agreements or covenants required to be performed by it contained herein except as expressly provided herein. The Agency may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the Agency for such purpose.

Section 10.2. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Agency or the Authority any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Agency or the Authority shall be for the sole and exclusive benefit of the other party.

Section 10.3. Successor Is Deemed Included in all References to Predecessor. Whenever either the Agency or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Agency or the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the Agency or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.4. Waiver of Personal Liability. No director, officer or employee of the Agency shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the Agency from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.5. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.6. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Agency or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such

portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Agency and the Authority hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.7. Assignment. This Agreement and any rights hereunder may be assigned by the Authority, as a whole or in part, without the necessity of obtaining the prior consent of the Agency.

Section 10.8. Net Contract. This Agreement shall be deemed and construed to be a net contract, and the Agency shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.9. California Law. THE INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

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

If to the Agency: Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, California 91710
Attention: General Manager

If to the Authority: Chino Basin Regional Financing Authority
6075 Kimball Avenue
Chino, California 91710
Attention: Treasurer

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

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

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

Section 10.14. Amendments Permitted. This Agreement and the rights and obligations of the Authority, the Agency, the Owners of the Series 2017A Bonds and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Series 2017A Bonds then Outstanding, exclusive of the Series 2017A Bonds disqualified as provided in the Indenture. No such modification or amendment shall (1) extend the stated maturities of the Series 2017A Bonds, or reduce the rate of interest represented thereby, or change the method of computing the rate of interest with respect thereto, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of any Series 2017A Bond so affected, or (2) reduce the aforesaid percentage of Owners of the Series 2017A Bonds whose consent is required for the execution of any amendment or modification of this Agreement without the consent of the Owners of all Series 2017A Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee or the Authority without its respective written consent thereto.

This Agreement and the rights and obligations of the Authority, the Agency and of the Owners of the Series 2017A Bonds may also be modified or amended at any time by an amendment hereto which shall become binding upon adoption, without the consent of the Owners of any Series 2017A Bonds 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 or the Agency contained in this Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Authority or the Agency, and which shall not adversely affect the interests of the Owners of the Series 2017A Bonds;

(b) to cure, correct or supplement any ambiguous or defective provision contained in this Agreement or in regard to questions arising under this Agreement, as the Authority or the Agency may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the Series 2017A Bonds; and

(c) to make such other amendments or modifications as may be in the best interests of the Owners of the Series 2017A Bonds.

No amendment without consent of the Owners may modify any of the rights or obligations of the Trustee without its written consent thereto.

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

INLAND EMPIRE UTILITIES AGENCY

By: _____
General Manager

CHINO BASIN REGIONAL FINANCING
AUTHORITY

By: _____
President

EXHIBIT A
PURCHASE PRICE

1. The principal amount of payments to be made by the Agency hereunder is \$_____.

2. The installment payments of principal are payable in the amounts and on the Installment Payment Dates as follows:

<i>Installment Payment Date (5 Days Prior To)</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
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Total

EXHIBIT B
DESCRIPTION OF THE PROJECT
[TO COME FROM AGENCY]

Notwithstanding the foregoing, no action may be undertaken by Owners or Beneficial Owners of the Bonds with respect to the accuracy of the information contained in any such filing or otherwise without the approval in writing of Owner or Beneficial Owner of at least 50% of the aggregate principal amount of the Bonds. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

No Owners or Beneficial Owners may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Agency satisfactory written evidence of their status as Owners or Beneficial Owners and a written notice of and request to cure such failure, and the Agency shall have refused to comply therewith within a reasonable time.

11. Dissemination Agent. The Agency may from time to time appoint or engage a dissemination agent to assist the Agency in carrying out its obligations under this Disclosure Certificate and may discharge any such dissemination agent with or without appointing a successor dissemination agent.

12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2017 INLAND EMPIRE UTILITIES AGENCY

By:

General Manager

\$ _____
CHINO BASIN REGIONAL FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2017A
(INLAND EMPIRE UTILITIES AGENCY)

PURCHASE AGREEMENT

January __, 2017

Chino Basin Regional Finance Authority
c/o Inland Empire Utilities Agency
6075 Kimball Avenue, Building A
Chino, California 91710

Ladies and Gentlemen:

[UNDERWRITER], (the "Underwriter"), acting on behalf of itself and not as an agent or representative of you, offers to enter into this Purchase Agreement (the "Purchase Agreement") with the Chino Basin Regional Finance Authority (the "Authority"), a joint exercise of powers authority duly organized and in good standing under the laws of the State of California, which Purchase Agreement will be binding upon the Authority and the Underwriter upon the acceptance hereof by the Authority. This offer is made subject to its acceptance by the Authority, by the execution of this Purchase Agreement and its delivery to the Underwriter on or before 5:00 p.m., California time, on January __, 2017.

Capitalized terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Indenture or the Installment Purchase Agreement (as such terms are hereinafter defined).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase for offering to the public, and the Authority hereby agrees to cause to be delivered to the Underwriter all (but not less than all) of the \$ _____ aggregate principal amount of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (the "Bonds"). The Bonds will mature in the amounts and on the dates and bear interest at the rates set forth on Appendix A hereto. The Underwriter will purchase the Bonds for the aggregate purchase price of \$ _____ (representing the aggregate principal amount of the Bonds, plus a [net] reoffering premium of \$ _____ and less an underwriting discount of \$ _____).

2. Description and Purpose of the Bonds. The Bonds shall be executed and delivered pursuant to an Indenture of Trust dated as of January 1, 2017 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee" or "U.S. Bank"). The Bonds are special limited obligations of the Authority. The Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues will consist primarily of amounts received by the Authority pursuant to the Installment Purchase

Agreement dated as of January 1, 2017 (the "Installment Purchase Agreement"), between the Authority and the Inland Empire Utilities Agency (the "Agency") and all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture.

The Bonds are being issued (i) to refund [all] [a portion of] the outstanding Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A (Inland Empire Utilities Agency) (the outstanding bonds of said issue are referred to herein as the "Refunded Bonds") and (ii) to pay the costs of issuing the Bonds.

In order to effect the refunding of the Refunded Bonds, the Authority will enter into the Escrow Agreement (Series 2008A), dated as of January 1, 2017 (the "Escrow Agreement"), by between the Authority and U.S. Bank National Association, as escrow agent (the "Escrow Agent").

3. Public Offering. The Underwriter agrees to make an initial bona fide public offering of all the Bonds at the public offering prices (or yields) set forth on the cover page of the Official Statement. Subsequent to the initial public offering, the Underwriter reserves the right to change the initial public offering prices (or yields) as the Underwriter shall deem necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Appendix A hereto. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than initial public offering prices. The Underwriter also reserves the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Bonds at a level above that which might otherwise prevail in the open market and (ii) to discontinue such transactions, if commenced, at any time.

4. Delivery of Official Statement. Pursuant to the authorization of the Authority, the Underwriter has distributed copies of the Preliminary Official Statement dated January __, 2017, relating to the Bonds, which, together with the cover page and appendices thereto, is herein called the "Preliminary Official Statement." By its acceptance of this proposal, the Authority hereby approves and ratifies the distribution and use by the Underwriter of the Preliminary Official Statement. The Authority agrees to execute and deliver a final Official Statement (the "Official Statement") in substantially the same form as the Preliminary Official Statement with such changes as may be made thereto, with the consent of the Agency and the Underwriter, and to provide copies thereof to the Underwriter within seven business days from the date hereof. The Authority hereby authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Bonds: the Preliminary Official Statement, the Official Statement, the Indenture, the Installment Purchase Agreement, the Escrow Agreement and other documents or contracts to which the Authority is a party in connection with the transactions contemplated by this Purchase Agreement, including this Purchase Agreement and all information contained herein, and all other documents, certificates and statements furnished by the Authority to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

5. The Closing. At 8:00 a.m., California time, on January __, 2017, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Authority and the Underwriter, the Authority will deliver or cause to be delivered to the Underwriter (i) the Bonds in book-entry form through the facilities of The Depository Trust Company, duly executed, and (ii) the closing documents hereinafter mentioned, at the offices of Stradling, Yocca, Carlson & Rauth, a Professional Corporation, in Newport Beach, California ("Bond Counsel") or another place to be mutually agreed upon by the Authority and the Underwriter. The Underwriter

will accept such delivery of the Bonds and pay the purchase price of such Bonds set forth in Section 1 hereof. This payment for and delivery of the Bonds, together with the execution and delivery of the aforementioned documents is herein called the "Closing."

6. The Authority's Representations. The Authority represents to the Underwriter that:

(a) The Authority is a joint powers authority duly organized and existing under the Constitution and the laws of the State of California (the "State") with full right, power and authority to execute, deliver and perform its obligations under, the Indenture, the hereinafter referred to Tax Certificate, the Installment Purchase Agreement, the Escrow Agreement and this Purchase Agreement (collectively, the "Authority Documents") and to carry out and consummate the transactions on its part contemplated by the Official Statement and the Authority Documents.

(b) By all necessary official action of the Authority, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Official Statement and the Authority Documents, and as of the date hereof such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Authority Documents will constitute the legally valid and binding obligations of the Authority, enforceable against the Authority and in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against entities such as the Authority.

(c) The information contained in the Official Statement is, and at all times subsequent to the date of the Official Statement, up to and including the Closing, will be true and correct in all material respects and the information in the Official Statement does not contain, and up to and including the Closing will not contain, any misstatement of any material fact and does not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except this representation does not include information relating to the Agency, The Depository Trust Company or the book-entry only system). The Authority covenants with the Underwriter that if an event occurs which causes the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall promptly notify the Underwriter of any such event of which it has knowledge, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority shall cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement, at the expense of the Authority, in a form and in a manner approved by the Authority and the Underwriter.

(d) If the information with respect to the Authority and its activities in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement with respect to the Authority and its activities as so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact

required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(e) The Authority will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The Authority will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(f) As of the time of acceptance hereof, except as otherwise disclosed in the Official Statement, the Authority is not in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State, the United States, or any applicable judgment or decree or any indenture, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or are otherwise subject which breach or default would have a material adverse effect on the ability of the Authority to perform its obligations under the Authority Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery by the Authority of the Authority Documents and compliance by the Authority with the provisions of each of Authority Documents does not to any material extent conflict with or constitute a breach of or default by the Authority under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, indenture, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which it or any of its properties is bound; nor will any such authorization, execution, delivery or compliance result in the creation or imposition or any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents.

(g) As of the time of acceptance hereof, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory authority, public board or body, pending with respect to which the Authority has been served with process or, to the knowledge of the officer of the Authority executing this Purchase Agreement threatened (i) in any way questioning the existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Bonds, or the payment, collection, assignment or pledge of Revenues or the principal of and interest with respect to the Bonds, or in any way contesting or affecting the validity of the Bonds or the Authority's Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Bonds from gross income for federal income tax purposes, or contesting the powers of the Authority and its authority to pledge the Revenues or contesting the powers of the Authority; or (iii) contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto or asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made.

(h) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (1) to qualify the Bonds for offer and sale under the Blue Sky or other securities,

laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (2) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that the Authority will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in jurisdiction.

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

7. Closing Conditions. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and covenants herein and the performance by the Authority of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Purchase Agreement to purchase and pay for the Bonds shall be subject to the following additional conditions:

(a) The representations, warranties and covenants of the Authority contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) At the time of the Closing (i) the Authority Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter, and (ii) there shall be in full force and effect such resolutions of the Authority (the "Authority's Resolution") as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by the Authority

(c) The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefor, by written notification to the Authority if at any time at or prior to the Closing:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

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

Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other Federal or State authority materially adversely affecting the federal or State tax status of the Authority or the Agency, or the interest on bonds or notes or obligations of the general character of the Bonds; or

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

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

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the marketability of the Bonds; or

(vi) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crises, or there has occurred any escalation of existing hostilities, calamity or crises, financial or otherwise, including, but not limited to, bombings or acts of terrorism (whether alleged or proven) relating to the effective operation of government or financial community, the effect of which on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds; or

(vii) any action concerning any rating of the Bonds or other obligations of the Authority or the Agency shall have been taken by a national rating service, which action, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(viii) the commencement of any action, suit or proceeding described in Paragraph 6(g) hereof which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(ix) there shall be in force a general suspension of trading on the New York Stock Exchange or a general banking moratorium declared by federal, State of New York or State of California or officials authorized to do so, or any material disruption in commercial banking or securities settlement services, including, but not limited to those services of DTC, shall have occurred; or

(x) trading of the Bonds or other obligations of the Authority shall have been suspended by federal, State of New York or State of California officials authorized to do so;

(xi) any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the Authority, its property, income, securities (or interest thereon), the validity or enforceability of the Bonds; or

(xii) no action contesting the default judgment in connection with the validation action filed by the Agency and the Authority relating to the Bonds shall have been filed.

(d) At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents:

(i) An approving opinion of Bond Counsel dated the date of the Closing and substantially in the form appended to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter to the effect that the foregoing opinion addressed to the Authority may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them;

(ii) A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter and, in form and substance acceptable to the Underwriter and Underwriter's Counsel (as hereinafter defined), and dated the date of the Closing substantially to the following effect:

(A) this Purchase Agreement has been duly authorized, executed and delivered by the Authority and (assuming due authorization, execution and delivery by and validity against the Underwriter) is a valid and binding agreement of the Authority subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws affecting creditors' rights, the application of equitable principles and the exercise of judicial discretion in appropriate cases; and

(B) the statements contained in the Official Statement under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES," "TAX MATTERS" and in Appendix B, Appendix C, and Appendix D thereto, insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture, the Installment Purchase Agreement, and Bond Counsel's opinion concerning federal tax matters relating to the Bonds are accurate in all material respects; provided that Bond Counsel need not express any opinion with respect to any financial or statistical information contained therein, any information concerning The Depository Trust Company or book-entry only system;

(iii) An opinion of the Counsel to the Authority, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to Bond Counsel, the Underwriter, and Underwriter's Counsel, substantially to the following effect:

(A) The Authority is a joint exercise of powers agency duly organized under the laws of the State of California, has full legal right, power and authority to enter into the Authority Documents, to adopt the resolution of the Authority relating to the issuance of the Bonds (the "Authority Resolution") and to carry out and consummate all transactions contemplated by the Authority Documents and the Authority Resolution and by proper action has duly authorized the execution and delivery and due performance of the Authority Documents;

(B) The Authority Resolution has been duly adopted by the Authority. The Authority Documents have been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms;

(C) The execution and delivery of the Authority Documents, the adoption of the Authority Resolution and the consummation of the transactions therein contemplated will not and do not violate any provision of the law, or to the best of our knowledge, any order of any court or other agency of government, or any indenture, material agreement, or other instrument to which the Authority is now a party or by which it or any of its properties or assets are bound, and, to the best of our knowledge, will not and do not conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority;

(D) The adoption of the Authority Resolution and the execution and delivery of the Authority Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, and does not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Authority Resolution and the Authority Documents, conflict with, or constitute on the part of the Authority a breach of or default under, any material agreement, or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject (excluding, however, any opinion as to compliance with any applicable federal securities laws);

(E) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date hereof for the Authority to adopt the Authority Resolution or enter into the Authority Documents or to perform its obligations thereunder; and

(F) Based on information made available to us in our role as general counsel to the Authority, we know of no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental agency or body, pending or to our best knowledge threatened, against the Authority challenging the creation, organization or existence of the Authority, or the validity of the Authority Documents or seeking to restrain or enjoin adoption of the Authority Resolution or in any way contesting or affecting the validity of the Authority Resolution or the Authority Documents or any of the transactions referred to therein or contemplated thereby or contesting the authority of the Authority to enter into or perform its obligations under the

Authority Resolution or the Authority Documents, or under which a determination adverse to the Authority would have a material adverse effect upon the financial condition or the revenues of the Authority, or which, in any manner, questions or affects the right or ability of the Authority to adopt the Authority Resolution or enter into the Authority Documents;

(G) The information relating to the Authority and contained in the Preliminary Official Statement was as of its date, and the information relating to the Authority and contained in the Official Statement is true and correct in all material respects, and the information relating to the Authority and contained in the Preliminary Official Statement and the information relating to the Authority and contained in the Official Statement contain no misstatement of any material fact and do not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading;

(iv) An opinion of the Counsel to the Agency dated the date of the Closing and addressed to the Underwriter in form and substance acceptable to Bond Counsel, the Underwriter and Underwriter's Counsel, substantially to the following effect:

(A) The Agency is a municipal water district duly organized and validly existing under the Constitution of the laws of the State of California;

(B) The Installment Purchase Agreement and the Continuing Disclosure Certificate of the Agency executed in connection with the issuance of the Bonds (the "Continuing Disclosure Certificate" and collectively, with the Installment Purchase Agreement, the "Agency Documents") have been duly authorized, executed and delivered by the Agency. The Agency Documents constitute the valid, legal and binding agreements of the Agency enforceable against the Agency in accordance with their terms and the Agency has the power and authority to carry out and consummate all transactions contemplated by the Agency Documents and the resolution of the Agency relating to the execution of the Installment Purchase Agreement (the "Agency Resolution") and the Agency has complied with the provisions of the Agency Resolution in all matters relating to such transactions;

(C) The Agency Resolution was duly adopted at meetings of the governing body of the Agency, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Agency Resolution is in full force and effect and has not been modified, amended or rescinded;

(D) The adoption of the Agency Resolution and the execution and delivery of the Agency Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Agency Resolution and the Agency Documents, conflict with, or constitute on the part of the Agency a breach of or default under, any material agreement or other instrument to which the Agency is a party of by which it is bound or any existing law, regulation, court order or consent decree to which the Agency is subject (excluding, however, any opinions as to compliance with any applicable federal securities laws);

(E) The adoption of the Agency Resolution and the execution and delivery of the Agency Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Agency Resolution and the Agency

Documents, conflict with or constitute a breach of or default under any term or provision of the Constitution of the State of California or any statute, administrative rule or regulation, judgment, decree, order license, permit, agreement or instrument to which the Agency is subject or by which the Agency or any of its property is bound;

(F) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date hereof for the Agency to adopt the Agency Resolution or enter into the Agency Documents or to perform its obligations thereunder;

(G) Based on information made available to such counsel in their role as general counsel to the Agency, such counsel knows of no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental agency or body, pending or to my best knowledge threatened, against the Agency challenging the creation, organization or existence of the Agency, or the validity of the Agency Resolution or the Agency Documents or seeking to restrain or enjoin adoption of the Agency Resolution or in any way contesting or affecting the validity of the Agency Resolution or the Agency Documents or any of the transactions referred to therein or contemplated thereby or contesting the authority of the Agency to enter into or perform its obligations under the Agency Resolution or the Agency Documents, or under which a determination adverse to the Agency would have a material adverse effect upon the financial condition or the revenues of the Agency, or which, in any manner, questions or affects the right or ability of the Agency to adopt the Agency Resolution;

(H) Except for the obligation of the Agency to make payments with respect to (a) the payments to be made pursuant to the 2008B Installment Purchase Agreement (which are secured on a parity basis with the Installment Payments) and (b) the payments to be pursuant to the 2010A Installment Purchase Agreement (which are secured on a parity basis with the Installment Payments), as of the date hereof, the Agency does not have outstanding any indebtedness that is secured by a lien on the Net Revenues superior to or on a parity with the lien of the Installment Payments on the Net Revenues;

(I) The information relating to the Agency and contained in the Preliminary Official Statement was as of its date, and the information relating to the Agency and contained in the Official Statement is true and correct in all material respects, and the information relating to the Agency and contained in the Preliminary Official Statement and the information relating to the Agency and contained in the Official Statement contain no misstatement of any material fact and do not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading;

(v) An opinion of _____, _____ counsel to the Underwriter ("Underwriter's Counsel"), dated the date of Closing and addressed to the Underwriter to the effect that:

(A) Such counsel is of the opinion that the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(B) While such counsel has not verified and is not passing upon and does not assume responsibility for, the accuracy, completeness or fairness of the statements

contained in the Official Statement, such counsel has participated in conferences with representatives of and counsel for the Authority, the Agency and Bond Counsel and the Underwriter at which the contents of the Official Statement were discussed and revised. Based on such counsel's representation of the Underwriter in connection with the issuance of the Bonds, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused such counsel to believe that the Official Statement contained as of its date or as of the date of Closing contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief is expressed as to (i) the expressions of opinion, the assumptions, the projections, the financial statements, or other financial, numerical, economic, demographic or statistical data contained in the Official Statement, (ii) the information with respect to DTC and its book-entry system and (iii) the information contained in Appendix A, C or E to the Official Statement; and

(C) The provisions of the Continuing Disclosure Certificate comply with the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934;

(vi) An opinion of counsel to U.S. Bank, dated the date of the Closing, addressed to the Underwriter and the Agency, and in form and substance acceptable to Bond Counsel, the Underwriter and Underwriter's Counsel to the effect that:

(A) U.S. Bank is a national banking association, duly organized and validly existing under and by virtue of the laws of the United States of America, having full power and authority to authenticate and deliver the Bonds and to enter into, accept and administer the trust and duties created under the Indenture and the Escrow Agreement;

(B) the Indenture and the Escrow Agreement have been duly authorized, executed and delivered by U.S. Bank and the Indenture and the Escrow Agreement constitute the legal, valid and binding obligations of U.S. Bank enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought;

(C) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over U.S. Bank that has not been obtained is or will be required for the authentication and delivery of the Bonds, the execution and delivery of the Indenture and the Escrow Agreement or the consummation of the transactions contemplated by the Bonds, the Indenture or the Escrow Agreement;

(D) to its best knowledge after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against U.S. Bank or threatened against U.S. Bank which in the reasonable judgment of U.S. Bank would affect the existence of U.S. Bank, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture or the Escrow Agreement or contesting the powers of U.S. Bank or its authority to authenticate and deliver the Bonds or enter into and perform its obligations under the Indenture and the Escrow Agreement; and

(E) the authentication and delivery of the Bonds and the execution and delivery of the Indenture and the Escrow Agreement and compliance with the provisions on U.S.

Bank's part contained therein will not conflict with or constitute a breach of or default under the Articles of Association or Bylaws of U.S. Bank or any law, administrative regulation, judgment decree, resolution or other instrument to which U.S. Bank is a party or is otherwise subject;

(vii) a certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by the President of the Commission of the Authority to the effect that:

(A) The representations and warranties of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; and

(B) no event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein with respect to the Authority, in the light of the circumstances under which they were made, not misleading in any material respect, except the certificate need not include representations relating to The Depository Trust Company or the book-entry only system;

(viii) a certificate of the Authority and the Agency relating to matters affecting the excludability from gross income for federal income tax purposes of interest on the Bonds, in form and substance satisfactory to Bond Counsel (the "Tax Certificate");

(ix) a certificate of the Agency, dated the date of Closing and signed by the General Manager of the Agency that contains such matters in form and substance satisfactory to Bond Counsel, the Underwriter, and Underwriter's Counsel substantially to the following effect:

(A) The Agency is a municipal water district duly organized and existing under and pursuant to the Construction and laws of the State of California;

(B) The Agency Documents have been duly authorized, executed and delivered by the Agency. The Agency Documents constitute the valid, legal and binding agreements of the Agency enforceable against the Agency in accordance with their terms and the Agency has the power and authority to carry out and consummate all transactions contemplated by the Agency Documents and the Agency Resolution and the Agency has complied with the provisions of the Agency Resolution in all matters relating to such transactions;

(C) The Agency Resolution was duly adopted at a meeting of the governing body of the Agency, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Agency Resolution is in full force and effect and has not been modified, amended or rescinded;

(D) The adoption of the Agency Resolution and compliance with the provisions thereof and the Agency Documents, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Agency Resolution and the Agency Documents, conflict with, or constitute on the part of the Agency a breach of or default under any material agreement or other instrument to which the Agency is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Agency is subject;

(E) The adoption of the Agency Resolution and compliance with the provisions thereof and the Agency Documents, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Agency Resolution and the Agency Documents, conflict with or constitute a breach of or default under any term or provision of the Constitution of the State of California or any statute, administrative rule or regulation, judgment, decree, order, license, permit, agreement or instrument to which the Agency is subject or by which the Agency or any of its property is bound;

(F) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date hereof for the Agency to adopt the Agency Resolution or to perform its obligations thereunder or under the Agency Documents;

(G) There is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency, or body, pending or threatened, against the Agency challenging the creation, organization or existence of the Agency, or the validity or the Agency Documents or seeking to restrain or enjoin adoption of the Agency Resolution or in any way contesting or affecting the validity of the Agency Resolution or the Agency Documents or any of the transactions referred to therein or contemplated thereby or contesting the authority of the Agency to perform its obligations under the Agency Resolution or the Agency Documents, under which a determination adverse to the Agency would have a material adverse effect upon the financial condition or the revenues of the Agency, or which in any manner, questions or affects the right or the ability of the Agency to adopt the Agency Resolution;

(H) The information relating to the Agency and contained in the Preliminary Official Statement was as of its date, and the information relating to the Agency and contained in the Official Statement is true and correct in all material respects, and the information relating to the Agency and contained in the Preliminary Official Statement and the information relating to the Agency and contained in the Official Statement contain no misstatement of any material fact and do not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading;

(I) Except as otherwise described in the Official Statement, there shall not have been any material adverse changes in the financial condition of the Agency since June 30, 2009;

(J) Except for the obligation of the Agency to make payments with respect to (a) the payments to be made pursuant to the 2008B Installment Purchase Agreement (which are secured on a parity basis with the Installment Payments), and (b) the payments to be made pursuant to the 2010A Installment Purchase Agreement (which are secured on a parity basis with the Installment Payments), as of the date hereof, the Agency does not have outstanding any indebtedness that is secured by a lien on the Net Revenues superior to or on a parity with the lien of the Installment Payments on the Net Revenues; and

(K) During the past five years, the Agency has not failed to comply in any material respect with any continuing disclosure undertaking previously entered into by the Agency pursuant to Rule 15c2-12 of the Securities and Exchange Commission, other than as described in the Official Statement;

(x) A certificate of U.S. Bank dated the date of Closing, in form and substance acceptable to Bond Counsel, the Underwriter and Underwriter's Counsel, to the following effect that:

(A) U.S. Bank is duly organized, validly existing as a national banking association and in good standing, having the full power and authority to enter into and perform its duties under the Indenture and the Escrow Agreement;

(B) U.S. Bank is duly authorized to enter into the Indenture and the Escrow Agreement;

(C) U.S. Bank has duly executed and delivered the Indenture and the Escrow Agreement and authenticated and delivered the Bonds by duly authorized officers; and

(D) there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental authority, public board or body pending against U.S. Bank or threatened against U.S. Bank which in the reasonable judgment of U.S. Bank would affect the existence of U.S. Bank, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture or the Escrow Agreement or contesting the powers of U.S. Bank or its authority to authenticate and deliver the Bonds or enter into and perform its obligations under the Indenture as Trustee or enter into and perform its obligations under the Escrow Agreement as Escrow Agent;

(xi) An original executed copy of each of the Authority Documents;

(xii) Copies of the Authority Resolution and the Agency Resolution;

(xiii) Evidence that the Bonds have received ratings of “___” by Standard & Poor's Ratings Group (“S&P”) and “___” by Moody's Investor Service (“Moody's”);

(xiv) A letter and a certificate from the Underwriter with respect to the public offering and “Issue Price” of the Bonds in the form acceptable to Bond Counsel, the Underwriter, and Underwriter's Counsel;

(xv) An executed copy of the Continuing Disclosure Certificate;

(xvi) A copy of the executed Information Return for Tax-Exempt Governmental Obligations, Form 8038-G relating to the Bonds;

(xvii) Preliminary and final California Debt and Investment Advisory Commission filings;

(xviii) A tax certificate in form satisfactory to Bond Counsel;

(xix) A certificate of the Authority that deems “final” the Preliminary Official Statement for purposes of Rule 15c2-12;

(xx) A certificate of the Agency that deems “final” the information contained under the headings “THE AGENCY,” “LITIGATION,” and “CONTINUING DISCLOSURE” for purposes of Rule 15c2-12;

(xxi) One copy of the executed Letter of Representations to The Depository Trust Company from the Authority;

(xxii) One Specimen Bond; and

(xxiii) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter's Counsel and Bond Counsel may reasonably request to evidence (A) compliance by the Authority and the Agency with legal requirements, (B) the truth and accuracy, as of the time of Closing, of the Authority's representations herein contained, (C) the accuracy, as of the time of Closing, of the information contained in the Official Statement and (D) the due performance or satisfaction by the Authority and the Agency at or prior to such time of all acts and agreements, including its performance under the Authority Documents and the Agency Documents, respectively, then to be performed and of all conditions then to be satisfied by the Authority and the Agency. All of the opinions, letters, certificates, instruments and documents shall be deemed to be in compliance with the provisions of this Purchase Agreement if, but only if, in the reasonable judgment of the Underwriter, they are satisfactory in form and substance as set forth in this Purchase Agreement.

If the Authority shall be unable to satisfy the conditions contained in this Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and none of the Underwriter nor the Authority shall be under any further obligation hereunder.

8. Expenses. (a) The Underwriter shall be under no obligation to pay, and the Authority shall pay the following expenses incident to the performance of the Authority's obligation hereunder: (i) the fees and disbursements of Bond Counsel, Disclosure Counsel and Authority Counsel; (ii) the cost of printing and delivering the Bonds, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to Section 6(c) of this Purchase Agreement); (iii) the fees and disbursements of Public Finance Management, Inc., as Municipal Advisor to the Authority, accountants, advisers and of any other experts or consultants retained by the Authority; and (iv) any other expenses and costs of the Authority incident to the performance of its obligations in connection with the issuance and sale of the Bonds (which may be paid through the expense component of the Underwriter's discount), including out of pocket expenses and regulatory expenses, and any other expenses agreed to by the parties and expenses incurred on behalf of the Authority officers, employees and representatives which are incidental to implementing this Purchase Agreement, including but not limited to meals, transportation and lodging of such employees or representatives.

(b) The Underwriter shall pay all expenses incurred by them in connection with the public offering and distribution of the Bonds including, but not limited to (i) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds and (ii) the fees and expenses of Underwriter's Counsel (which will be reimbursed to the Underwriter through the expense component of the Underwriter's discount).

9. No Advisory or Fiduciary Role. The Authority and the Underwriter acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Authority and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the

agent, advisor or fiduciary of the Authority, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the purchase and sale contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority on other matters) and the Underwriter has no contractual obligation to the Authority with respect to the purchase and sale contemplated hereby except the contractual obligations expressly set forth in this Purchase Agreement, (iv) the Underwriter is not acting as municipal advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended), (v) the Underwriter has financial and other interests that differ from those of the Authority, and (vi) the Authority and the Underwriter have consulted their own legal, municipal, financial and other advisors to the extent they deemed appropriate in connection with the purchase and sale of the Bonds. Nothing in the foregoing paragraph is intended to limit the Underwriter's obligation of fair dealing to the Authority under MSRB Rules G-17 and G-30.

10. Notice. Any notice or other communication to be given to the Authority under this Purchase Agreement may be given by delivering the same, in writing, to the Chino Basin Regional Financing Authority, c/o Inland Empire Utilities Agency, 6075 Kimball Avenue, Building A, Chino, California 91710, Attention: Chief Executive Officer. Any notice or other communication to be given to the Underwriter may be given by delivering the same, in writing, to _____.

11. Entire Agreement. This Purchase Agreement, when accepted by the Authority shall constitute the entire agreement among the Authority and the Underwriter with respect to the subject matter hereof.

12. Benefit. This Purchase Agreement is made solely for the benefit of the Authority and the Underwriter (including the successors of the Underwriter) and no other person, partnership or association, shall acquire or have any right hereunder or by virtue hereof. All representations and agreements by the Authority in this Purchase Agreement shall remain operative and in full force and effect except as otherwise provided herein, regardless of any investigations made by or on behalf of the Underwriter and shall survive the delivery of and payment of the Bonds.

13. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

15. State of California Law Governs. THE VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS PURCHASE AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

16. No Assignment. The rights and obligations created by this Purchase Agreement shall not be subject to assignment by the Underwriter or the Authority without the prior written consent of the other parties hereto.

Very truly yours,

[UNDERWRITER]

By: _____
Managing Director

ACCEPTED AND APPROVED:

CHINO BASIN REGIONAL FINANCING AUTHORITY

By: _____

Its: _____
Treasurer

APPENDIX A

CHINO BASIN REGIONAL FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2017A
(INLAND EMPIRE UTILITIES AGENCY)

<i>Maturity (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>
	\$	%	%	

INDENTURE OF TRUST

by and between

U.S. BANK NATIONAL ASSOCIATION
as Trustee

and

CHINO BASIN REGIONAL FINANCING AUTHORITY
as Issuer

Relating to

CHINO BASIN REGIONAL FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2017A
(INLAND EMPIRE UTILITIES AGENCY)

Executed and Entered Into as of January 1, 2017

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INDENTURE OF TRUST

This INDENTURE OF TRUST (the "Indenture"), executed and entered into as of January 1, 2017, by and between U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws to the United States of America (the "Trustee") and CHINO BASIN REGIONAL FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Issuer");

WITNESSETH

WHEREAS, the Issuer desires to assign without recourse all its rights to receive the Authority Revenues (as hereinafter defined) scheduled to be paid by the Inland Empire Utilities Agency* ("the Agency") to the Issuer under and pursuant to the Installment Purchase Agreement (as hereinafter defined); and

WHEREAS, in consideration of such assignment and the execution and entering into of this Indenture, the Trustee has agreed to authenticate and deliver bonds (the "Bonds") in an aggregate principal amount equal to \$_____; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Indenture;

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

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to such terms in the Installment Purchase Agreement. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Bonds and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Agency. The term "Agency" means the Inland Empire Utilities Agency,* a municipal water district duly organized and existing under and by virtue of the laws of the State of California.

* A Municipal Water District.

Authority Revenues. The term “Authority Revenues” means amounts received by the Issuer pursuant to or with respect to the Installment Purchase Agreement and all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder.

Authorized Denominations. The term “Authorized Denominations” shall mean \$5,000 or any integral multiple thereof.

Bond Payment Fund. The term “Bond Payment Fund” means the fund by that name established pursuant to Section 3.02.

Bonds. The term “Bonds” means the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) in the aggregate principal amount of \$ _____.

Book-Entry System. The term “Book-Entry System” shall mean the system maintained by the Securities Depository and described in Section 2.10 hereof.

Business Day. The term “Business Day” shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which banks located in the city in which the Corporate Trust Office of the Trustee is located are authorized or required to remain closed or (iii) a day on which The New York Stock Exchange is closed.

Certificate or Request. The term “Certificate” or “Request” means (i) with respect to the Agency, an instrument in writing signed on behalf of the Agency by the President of the Board of Directors of the Agency, or by any other officer of the Agency duly authorized by the Board of Directors of the Agency to sign documents on its behalf with respect to the matters referred to therein; and (ii) with respect to the Issuer, by the President of the Commission of the Issuer, or by any other officer of the Issuer duly authorized by the Commission of the Issuer to sign documents on its behalf with respect to the matters referred to therein.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations in effect with respect thereto.

Date of Original Issuance. The term “Date of Original Issuance” means the date on which the Bonds were initially executed and delivered.

Delivery Date. The term “Delivery Date” means the date of the delivery of the Bonds to the initial purchaser thereof.

DTC. The term “DTC” shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

Depository. The term “Depository” shall mean DTC or another recognized securities depository selected by the Issuer which maintains a book-entry system for the Bonds.

Event of Default. The term “Event of Default” means an Event of Default as defined in Section 8.1 of the Installment Purchase Agreement.

Favorable Opinion of Special Counsel. The term “Favorable Opinion of Special Counsel” shall mean an opinion of Special Counsel addressed to the Agency and the Trustee to the effect that

an action proposed to be taken is not prohibited by the laws of the State or this Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds.

Fitch. The term “Fitch” means Fitch Ratings, Inc., a Delaware corporation, and its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Fitch” will be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s or S&P) designated by the Issuer by written notice to the Trustee.

General Manager. The term “General Manager” shall mean the General Manager of the Agency.

Hazardous Substances. The term “Hazardous Substances” means any hazardous substances, wastes, pollutants or contaminants now or hereafter included in such (or any similar) term under any federal, state, or local statute, code, ordinance or regulation now in effect or hereafter enacted or amended.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any form of certified public accountants appointed by the Issuer which is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Indenture. The term “Indenture” means this Indenture of Trust executed and entered into as of January 1, 2017 by and between the Trustee and the Issuer, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

Information Services. The term “Information Services” means national information services that disseminate securities redemption notices; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Agency may specify in a certificate to the Trustee.

Installment Payment Date. The term “Installment Payment Date” means each date on which Installment Payments are scheduled to be paid by the Agency pursuant to the Installment Purchase Agreement.

Installment Payments. The term “Installment Payments” means the installment payments payable by the Agency pursuant to the Installment Purchase Agreement and in the amounts and at the times set forth in the Installment Purchase Agreement.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement dated as of January 1, 2017, by and between the Agency and the Issuer, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

Interest Account. The term “Interest Account.

Interest Payment Date. The term “Interest Payment Date” means each May 1 and November 1 of each year, commencing May 1, 2017.

Issuance Costs. The term “Issuance Costs” means all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the authorization, execution, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums and certificate insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original execution and delivery of the Bonds.

Issuance Costs Fund. The term “Issuance Costs Fund” means the fund by that name established pursuant to Section 3.02 hereof.

Issuer. The term “Issuer” means the Chino Basin Regional Financing Authority, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California.

Letter of Representations. The term “Letter of Representations” means the letter of the Agency and the Trustee delivered to and accepted by the Depository on or prior to delivery of the Bonds as book-entry certificates setting forth the basis on which the Depository serves as depository for such book-entry certificates, as originally executed or as it may be supplemented or revised or replaced by a letter from the Agency and the Trustee delivered to and accepted by the Depository.

Maturity Date. The term “Maturity Date” shall mean November 1 of each year commencing in 2017 and ending in 20__.

Moody’s. The term “Moody’s” shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency (other than S&P) designated by the Issuer by written notice to the Trustee.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.02) all Bonds except: (i) Bonds canceled by the Trustee or delivered to the Trustee for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 10.01; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

Owner. The term “Owner” or “Bond Owner” or “Owner of Bonds” or any similar term, when used with respect to the Bonds, means any person who shall be the registered owner of any Outstanding Bond.

Participant. The term “Participant” shall mean, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

Person. The term “Person” means a natural person or any legal entity.

Permitted Investments. The term "Permitted Investments" means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the Issuer.

The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow agreements.

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations; All direct or fully guaranteed obligations; Farmers Home Administration; General Services Administration; Guaranteed Title XI financing; Government National Mortgage Association (GNMA); and State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank; Rural Economic Community Development Administration; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration and Federal Financing Bank
- (d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); Obligations of the Resolution Funding Corporation (REFCORP); Senior debt obligations of the Federal Home Loan Bank System; and Senior debt obligations of other Government Sponsored Agencies.
- (e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

- (g) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including such funds for which the Trustee or an affiliate provides investment advice for other services.
- (h) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and
 - (1) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or
 - (2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (i) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;
- (j) Investment Agreements (supported by appropriate opinions of counsel);
- (k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name; and
- (l) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code §6509.7. To be eligible for purchase, the pool must meet the requirements of CGC §53601(p)

The value of the above investments shall be determined as follows:

- (a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch or Citigroup Global Markets Inc.

- (b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and
- (c) As to any investment not specified above: the value thereof established by prior agreement among the Issuer and the Trustee.

Principal Account. The term "Principal Account" means the account by that name established pursuant to Section 3.02 hereof.

Principal Corporate Trust Office. The term "Principal Corporate Trust Office" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the Agency, the Issuer and the Owners.

Rating Agency. The term "Rating Agency" means S&P and Moody's and any other nationally recognized rating agency then rating the Bonds.

Rebate Regulations. The term "Rebate Regulations" means the Proposed and Temporary Treasury Regulations promulgated under Section 148(f) of the Code.

Rebate Fund. The term "Rebate Fund" means the fund by that name established and held by the Trustee pursuant to Section 5.03 hereof.

Record Date. The term "Record Date" shall mean the fifteenth (15th) day immediately preceding that Interest Payment Date.

Redemption Account. The term "Redemption Account" means the account by that name established pursuant to Section 3.02.

Redemption Price. The term "Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount with respect to such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Indenture.

Securities Depository. The term "Securities Depository" shall mean DTC or, if applicable, any successor securities depository appointed pursuant to Section 2.10 hereof.

S&P. The term "S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency (other than Moody's) designated by the Issuer by written notice to the Trustee.

Special Counsel. The term "Special Counsel" means any attorney at law or firm of attorneys selected by the Agency, of nationally-recognized standing in matters pertaining to the federal tax exemption of interest with respect to obligations of states and political subdivisions.

State. The term "State" means the State of California.

Statement of the Issuer or the Agency. The term “Statement of the Issuer or the Agency” means a statement signed by or on behalf of (i) the Issuer by its President or Treasurer or (ii) the Agency by the President or the General Manager who are specifically authorized by resolution of the Agency to sign or execute such a document on its behalf. If and to the extent required by the provisions of Section 1.3, each Statement of the Issuer or the Agency shall include the statements provided for in Section 1.3.

Tax Certificate. The Term “Tax Certificate” means the Tax Certificate dated the date of initial issuance of the Bonds, concerning certain matters pertaining to the use and investment of proceeds of the Bonds executed by and delivered to the Agency on the date of execution and delivery of the Bonds, including any and all exhibits attached thereto.

Trustee. The term “Trustee” means U.S. Bank National Association, a national banking association having a corporate trust office in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the Agency, the Issuer and the Owners, or its successor as Trustee hereunder.

Written Consent of the Issuer or the Agency, Written Order of the Issuer or the Agency, Written Request of the Issuer or the Agency, Written Requisition of the Issuer or the Agency. The terms “Written Consent of the Issuer or the Agency,” “Written Order of the Issuer or the Agency,” “Written Request of the Issuer or the Agency,” and “Written Requisition of the Issuer or the Agency” mean, respectively, a written consent, order, request or requisition signed by or on behalf of (i) the Issuer by its President, or a Vice President or Treasurer, or (ii) the Agency by the President or General Manager, or its Chief Financial Officer/Assistant General Manager, or by the Secretary or by any two persons (whether or not members of the Board of Directors) who are specifically authorized by resolution of the Agency to sign or execute such a document on its behalf.

Section 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Owners, the Indenture shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal and redemption premiums, if any, on the Bonds, subject to the agreements, conditions, covenants and terms contained herein, including without limitation the terms included in Article VIII hereof; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Bonds over any other Bonds by reason of the number or date thereof or the time of sale, execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

CONDITIONS AND TERMS OF BONDS

Section 2.01. Preparation of Bonds. The Trustee is hereby authorized to authenticate and deliver the Bonds, to be denominated “Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency)” in an aggregate principal amount of \$_____.

Section 2.02. Denominations; Dating. The Bonds shall be prepared in the form of fully registered Bonds in Authorized Denominations; provided that no Bond shall mature more than one year. The Bonds shall be dated the initial date of delivery thereof.

Section 2.03. Payment of Principal and Interest with Respect to Bonds.

(a) **Bonds.** Bonds shall become payable on November 1 of each of the years in the principal amount and shall bear interest at the rates set forth in a Certificate of the General Manager in the form attached hereto as Exhibit C to be delivered to the Trustee upon the initial issuance of the Bonds.

(b) **Amounts Due.** Principal or Redemption Price due on the Bonds at maturity or redemption thereof, whichever is earlier, shall, to the extent of the aggregate principal amount stated upon the Bonds, represent the sum of those portions of the Installment Payments designated as principal coming due on the Installment Payment Dates immediately preceding the Payment Dates in each year.

(c) **Payment of Interest.** Interest on the Bonds shall be paid on each Interest Payment Date and redemption date and on the Maturity Date therefor. However, if, as shown by the records of the Trustee, interest on the Bonds is in default, Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Bonds so surrendered or, if no interest has been paid on the Bonds, from the date thereof.

(d) **Interest Accrual.** Interest on the Bonds shall accrue on the basis of a 360-day year based on twelve 30-day months.

(e) **Method and Place of Payment.** The principal of and premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Such amounts shall be paid by the Trustee on the applicable payment dates by check mailed by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the applicable Record Date in the registration books kept by the Trustee, except that in the case of such an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment shall be made, such payments shall be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in clause (ii) of the preceding sentence shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a Book-Entry System is in effect, interest may be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money.

Section 2.04. Form of Bonds. The Bonds and the form of assignment to appear thereon shall be in substantially the form set forth in Exhibit B hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

Section 2.05. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Issuer with the manual or facsimile signature of its President, attested by the manual or facsimile signature of its Secretary. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Issuer before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer, and also any Bonds may be signed and attested on behalf of the Issuer by such persons as at the actual date of execution of such Bonds shall be the proper officers of the Issuer although at the nominal date of such Bonds any such person shall not have been such officer of the Issuer.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall authenticate and deliver a new Bond or Bonds of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of Bonds the Trustee shall cancel and destroy the Bonds it has received.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary Bonds for definitive Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Bonds, the Trustee shall cancel and destroy the Bonds it has received.

The Trustee shall not be required to register the exchange or transfer pursuant to Section 2.06 hereof, of any Bond (i) within 15 days preceding selection of Bonds for redemption or (ii) selected for redemption.

Section 2.08. Bond Registration Books. The Trustee will keep or cause to be kept, at the office of the Trustee, in St. Paul Minnesota, sufficient books for the registration and transfer of the Bonds, which shall upon reasonable prior notice and at all reasonable times be open to inspection by

the Issuer or the Agency; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

The person in whose name any Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest with respect to and principal of and Redemption Price represented by such Bond shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such Bond to the extent of the sum or sums so paid.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee shall authenticate and deliver a new Bond of like series, tenor, maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated.

Every mutilated Bond so surrendered to the Trustee shall be canceled by it and destroyed. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given indemnifying the Trustee, the Issuer and the Agency, the Trustee, at the expense of the Bond Owner, shall authenticate and deliver a new Bond of like series, tenor and maturity, and numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond executed under this Section and of the expenses which may be incurred by the Trustee under this Section. Any Bond executed and authenticated under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. The Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for a Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.10. Book-Entry System.

(a) Bonds shall be issued in fully registered form and shall be initially issued registered in the name of "Cede & Co.," as nominee of The Depository Trust Company in accordance with this Section 2.10. The Bonds shall be evidenced by one bond maturing on each stated Maturity Date of Bonds. The Bonds may be assigned by the Trustee a distinctive number or letter and number, and a record of the same shall be maintained by the Trustee. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Section 2.10.

With respect to book-entry Bonds, the Issuer and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Bonds. Without limiting the immediately preceding sentence, the Issuer and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the

Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond registration books, of any notice with respect to book-entry Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be redeemed in the event the Issuer prepays the Bonds in part, or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal, premium, if any, or interest with respect to book-entry Bonds. The Issuer and the Trustee may treat and consider the person in whose name each book-entry Bond is registered in the Bond registration books as the absolute Owner of such book-entry Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the Bond register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest evidenced and borne by the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond registration books, shall receive a Bond evidencing the obligation to make payments of principal, premium, if any, and interest evidenced and borne by the Bonds. Upon delivery by the Depository to the Owner and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry Bonds for the Depository's book-entry system, the Issuer and the Trustee shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Issuer or the Trustee any obligation whatsoever with respect to persons having interests in such book-entry Bonds other than the Owners, as shown on the Bond registration books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Issuer will be in compliance with all representations of the Issuer in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the Issuer and the Trustee shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository's book-entry program.

(c) Selection of Depository. In the event (i) the Depository determines not to continue to act as securities depository for book-entry Bonds, or (ii) the Issuer determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Bonds or the Issuer, then the Issuer will discontinue the book-entry system with the Depository. If the Issuer determines to replace the Depository with another qualified securities depository, the Issuer shall prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturity dates of such book-entry Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the Issuer fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such Bond register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Sections 2.06 and 2.07 hereof.

(d) Payments To Depository. Notwithstanding any other provision of this Agreement to the contrary, so long as all Outstanding Bonds are held in book-entry form and registered in the name of the Nominee, all payments with respect to principal, redemption premium, if any, and interest with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of Bonds to Substitute Depository.

(i) The Bonds shall be initially authenticated and delivered as provided in Section 2.01 hereof. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

- (A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (b) of subsection (i) of this subsection (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;
- (B) to any Substitute Depository, upon (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (ii) a determination by the Issuer that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or
- (C) to any person as provided below, upon (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (ii) a determination by the Issuer that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this subsection, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Issuer to the Trustee designating the Substitute Depository, a single new Bond, which the Issuer shall prepare or cause to be prepared, shall be authenticated and delivered for each series and maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the Issuer. In the case of any transfer pursuant to clause (C) of subsection (i) of this subsection, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Issuer to the Trustee, new Bonds, which the Issuer shall prepare or cause to be prepared, shall be authenticated and delivered in such denominations and registered in the names of such persons as are requested in such written request of the Issuer, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new

Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the Issuer.

(iii) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations.

(iv) the Issuer and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Issuer; and the Issuer and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the Issuer nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Bonds.

ARTICLE III

PROCEEDS OF BONDS

Section 3.01. Delivery of Bonds. The Trustee is hereby authorized to authenticate and deliver the Bonds to the purchaser thereof upon receipt of a Request of the Issuer and upon receipt of the proceeds of sale thereof.

Section 3.02. Establishment of Funds and Accounts and Deposit and Use of Proceeds of Bonds.

(a) There is hereby established with the Trustee the following funds and accounts for the Bonds: the Issuance Costs Fund and the Bond Payment Fund. Within the Bond Payment Fund there is hereby established an Interest Account, a Principal Account and a Redemption Account.

(b) Upon the receipt of payment for the Bonds on the Delivery Date, the Issuer will cause the Trustee to apply the proceeds of sale thereof as follows:

(i) to the Issuance Costs Fund, the amount set forth with respect thereto in Exhibit A hereto, constituting an amount sufficient to pay Issuance Costs with respect to the Bonds;

(ii) transfer to U.S. Bank National Association, as escrow agent, for deposit to the Escrow Funds created under and pursuant to the Escrow Agreements, each dated as of January 1, 2017, by and between the Issuer and U.S. Bank National Association, the amount set forth with respect thereto in Exhibit A hereto, constituting the balance of the proceeds of the sale of the Bonds.

(c) Issuance Costs shall be paid from amounts on deposit in the Issuance Costs Fund. The Trustee shall make such payments in the amounts, at the times, in the manner, and on the other terms and conditions set forth herein. No such payment shall be made until the Trustee shall have received a requisition Certificate from the Agency or the Issuer. Upon the earlier of the written direction from the Issuer to the effect that all Issuance Costs have been paid on or the six month anniversary of the initial issuance of the Bonds, the Trustee shall transfer any remaining money in the Issuance Costs Fund to the Bond Payment Fund and the Issuance Costs Fund shall thereafter be closed.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Redemption of Bonds.

(a) Optional Redemption. The Bonds shall be subject to optional redemption prior to their respective stated maturities, as determined by the Agency in a certificate of the General Manager attached hereto as Exhibit C, as a whole or in part on any date in the order of maturity as directed by the Agency in a written request provided to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity, on the dates and at the Redemption Price of such Bonds provided by the Agency in a certificate of the General Manager attached hereto as Exhibit C.

(b) Mandatory Redemption. Except as may be provided pursuant to Section 2.03 hereof, the Bonds shall also be subject to redemption prior to their stated maturities, in part, by lot, from mandatory redemptions as provided in a certificate of the General Manager of the Agency attached hereto as Exhibit C to be delivered upon the initial issuance of the Bonds.

Section 4.02. Selection of Bonds To Be Redeemed. If any Bond is in a denomination larger than a minimum Authorized Denomination, a portion of such Bonds (the minimum Authorized Denomination or any integral multiple thereof) may be redeemed pursuant to this Section, in which case the Trustee shall, without charge to the Owner, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof. In the case of a partial redemption of Bonds, the Trustee shall select the Bonds to be redeemed by lot at such times as directed by the Agency in writing at least thirty (30) days prior to the redemption date and if such selection is more than sixty (60) days before a redemption date, shall appropriately identify the Bonds so called for redemption by stamping them at the time any Bonds so selected for redemption is presented to the Trustee for stamping or for transfer or exchange, or by such other method of identification as is deemed adequate by the Trustee, and any Bond or Bonds issued in exchange for, or to replace, any Bond so called for prior redemption shall likewise be stamped or otherwise identified. The Trustee shall not select the Bonds for mandatory redemption pursuant to Section 4.01(b) hereof more than sixty (60) days prior to the redemption date.

Section 4.03. Notice of Redemption. The Agency shall notify the Trustee at least forty-five (45) days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to the redemption date for Bonds pursuant to Section 4.01(a). Notice of redemption shall be mailed by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, (i) to the respective Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail, (ii) to the

Securities Depository by facsimile and by first-class mail, and (iii) to the Information Services by first-class mail. Notice of redemption shall be given in the form and in accordance with the terms of this Indenture.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Bond of Authorized Denominations, and of the same Maturity Date and interest rate, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.05. Effect of Redemption of Bonds. If notice of redemption having been duly given pursuant to Section 4.03 hereof, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption is held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest with respect to the Bonds so called for redemption shall cease to accrue, the Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of the Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Any defect as failure to receive notice shall not affect the sufficiency of the proceedings of redemption.

All Bonds redeemed pursuant to the provisions hereof shall be cancelled upon surrender thereof and destroyed.

ARTICLE V

INSTALLMENT PURCHASE PAYMENTS

Section 5.01. Assignment of Authority Revenues. The Issuer, for good and valuable consideration, does hereby unconditionally grant, transfer and assign to the Trustee without recourse all its rights to receive the Authority Revenues and enforce the Installment Purchase Agreement upon an event of default thereunder for the benefit of the Owners of the Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the Bonds under the terms of the Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the Agency contained in the Installment Purchase Agreement, and the Trustee hereby accepts such assignment.

All Installment Payments shall be paid directly by the Agency to the Trustee, and all Installment Payments received by the Trustee shall be held in trust by the Trustee under the terms hereof for the benefit of the Agency until deposited in the funds provided in Section 5.02, whereupon such money shall be held in trust in such funds by the Trustee for the benefit of the Owners.

Section 5.02. Deposit of Authority Revenues. The Trustee shall deposit all Authority Revenues paid to it into the Bond Payment Fund and shall transfer such funds to the Interest Account, Principal Account and the Redemption Account in the manner and at the times hereinafter provided. The Bond Payment Fund (and all accounts contained therein) shall be maintained so long as any Bonds are Outstanding. All moneys in the Bond Payment Fund (and the accounts contained therein) shall be disbursed only for the purposes and uses hereinafter authorized; provided, that any

money in such fund or accounts not required to pay the principal and interest and redemption premiums, if any, on the Bonds shall on the Business Day immediately following each Interest Payment Date, be transferred to the Issuer to be used for any lawful purpose of the Issuer.

(a) Interest Account. On or prior to each Interest Payment Date, the Trustee shall transfer to the Interest Account that amount of money representing the portion of the Authority Revenues constituting the interest becoming due and payable on such Interest Payment Date. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds on their respective Interest Payment Dates.

(b) Principal Account. On or prior to each maturity date, the Trustee shall transfer to the Principal Account that amount of money representing the portion of the Authority Revenues constituting the principal becoming due and payable on such maturity date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds on their respective maturities.

(c) Redemption Account. Any prepayments paid to the Trustee pursuant to the Installment Purchase Agreement shall immediately be transferred to the Redemption Account. All money in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and redemption premiums, if any, on the Bonds to be redeemed on their respective mandatory redemption dates.

Section 5.03. Rebate Fund.

(a) Establishment. The Trustee shall establish a separate fund designated the "Rebate Fund." Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Issuer shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the Tax Certificate for the Bonds, unless and to the extent that the Issuer delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied.

(i) Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the Issuer shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The Issuer shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of the fifth Bond Year, upon the written request of the Issuer, an amount shall be deposited to the Rebate Fund by the Trustee from any Authority Revenues legally available for such purpose (as specified by the Issuer in the aforesaid written Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written Request of the Issuer, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Bond Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Request of the Issuer, to the United States Treasury, out of amounts in the Rebate Fund,

- (A) not later than 60 days after the end of (X) the fifth Bond Year, and (Y) each applicable fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and
- (B) not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the date of such payment and any income attributable to the Rebatable Arbitrage determined to be due and payable, computed in accordance with Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Issuer shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment in full of the Bonds and the payments described in Subsection (a)(iii) above being made may be withdrawn by the Issuer upon written direction of the Issuer to the Trustee and utilized in any manner by the Issuer.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the Bonds.

(d) Recordkeeping. The Issuer shall retain records of all determinations made hereunder until six years after the complete retirement of the Bonds.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of this Indenture regarding calculation and payment of rebate if it

follows the directions of the Issuer and it shall have no independent duty to review or such calculations or enforce compliance with such rebate requirements.

ARTICLE VI

COVENANTS

Section 6.01. Compliance with Indenture and Installment Purchase Agreement. The Issuer will not execute and the Trustee will not authenticate or deliver any Bonds in any manner other than in accordance with the provisions hereof; and the Issuer will not suffer or permit any default by it to occur hereunder, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it.

The Issuer will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed and performed by the Issuer, and will enforce such agreements against the other party thereto in accordance with their terms.

Section 6.02. Tax Covenants. Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on Bonds, will not be adversely affected for federal income tax purposes, the Issuer covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

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

(b) Arbitrage. The Issuer will make no use of the proceeds of the Tax Exempt Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Tax Exempt Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guaranty. The Issuer will make no use of the proceeds of the Tax Exempt Bonds or take or omit to take any action that would cause the Tax Exempt Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The Issuer will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(e) Hedge Bonds. The Issuer will make no use of the proceeds of the Tax Exempt Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the Tax Exempt Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Issuer takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Tax Exempt Bonds for federal income tax purposes; and

(f) Miscellaneous. The Issuer will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Issuer in connection with each issuance of Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 6.03. Prosecution and Defense of Suits. The Issuer will defend against every action, suit or other proceeding at any time brought against the Trustee, the Issuer or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the Installment Payments or involving any rights or obligations of the Trustee, the Issuer or any Owner hereunder; provided, that the Trustee, the Issuer or any Owner at its, his or her election may appear in and defend any such action, suit or other proceeding. The Issuer will indemnify and hold harmless the Trustee and the Owners against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and will indemnify and hold harmless the Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to enforce their rights hereunder or under the Bonds; provided that such litigation shall be concluded favorably to such Owners' contentions therein.

Section 6.04. Accounting Records and Statements. The Trustee shall keep proper books of record and account in accordance with corporate trust industry standards in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of the Authority Revenues and the proceeds of the Bonds. Such records shall be open to inspection by the Issuer and by any Owner at any reasonable time during regular business hours on reasonable notice. Not later than the fifteenth (15th) day of each month, commencing on the first calendar month after the initial issuance of the Bonds, and continuing so long as any Bonds are Outstanding, the Trustee will furnish to the Issuer and to the Agency a complete statement covering the receipts, deposits and disbursements of the funds held by the Trustee hereunder for the preceding month; provided that the Trustee shall not be obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

Section 6.05. Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the Issuer will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them hereby.

ARTICLE VII

DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default by the Issuer in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the Issuer in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or by the Owners of not less than 25 percent in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of the Issuer the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the Issuer within such sixty (60) day period and diligently pursued in good faith until the default is corrected such failure shall not become an Event of Default.

(d) The Issuer shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Issuer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Issuer or of the whole or any substantial part of its property.

Section 7.02. Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall, upon notice in writing to the Issuer, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Issuer shall deposit with the Trustee a sum sufficient to pay all the principal of and interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Authority Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Authority Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, in the following order of priority:

First: To the payment to the persons entitled thereto of all interest then due in the order of the due date of such interest, and, if the amount available shall not be sufficient to pay in full any interest due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of two hundred (200) basis points above the interest rate per annum on such overdue principal, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Section 7.04. Trustee to Represent Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds or this Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds or this Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Authority Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

Notwithstanding anything contained herein, the Trustee shall have no security interest in or mortgage on the Project, any property of the Agency or other assets or property thereof and no

default hereunder shall result in the loss of the Project, any property of the Agency or other assets or property thereof.

Section 7.05. Bond Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

Section 7.06. Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Purchase Agreement or any other applicable law with respect to such Bonds, unless (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed 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; (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; and (f) such suit, action or proceeding is instituted subject to this Indenture.

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 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Installment Purchase Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 7.07. Absolute Obligation of Issuer. Nothing in Section 7.06 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Authority Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.08. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or

abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Issuer, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.10. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; provided, however, that every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Employment and Duties of the Trustee. The Issuer hereby appoints and employs the Trustee to receive, deposit and disburse the Authority Revenues as provided herein, to prepare, authenticate, deliver, transfer, exchange and cancel the Bonds as provided herein, to pay the interest and principal and redemption premiums, if any, on the Bonds to the Owners thereof as provided herein, and to perform the other obligations contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering the Indenture, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth herein, and no implied obligations shall be read herein against the Trustee.

Section 8.02. Removal and Resignation of the Trustee. The Issuer may at any time, as long as an Event of Default, or an event which with notice or passage of time or both would become an Event of Default, has not occurred and is continuing, and shall, after any breach by the Trustee hereunder, remove the Trustee initially a party hereto and any successor thereto by giving written notice of such removal to the Trustee, and by giving notice by mail in accordance with Section 11.07 of such removal to all Owners of Bonds, and the Trustee initially a party hereto and any successor thereto may at any time resign by giving written notice of such resignation to the Issuer and the Agency and by giving notice by mail in accordance with Section 11.07 of such resignation to all Owners of Bonds. Upon giving any such notice of removal or upon receiving any such notice of resignation, the Issuer shall, promptly appoint a successor Trustee by an instrument in writing; provided, that in the event the Issuer and the Agency do not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. No removal, resignation or termination of the Trustee shall take effect until a successor trustee shall be appointed. Any successor Trustee shall be a bank with trust powers or trust company doing business and having a principal corporate trust office in the United States of America, having (or if such bank or trust company is a member of a bank holding company

system, its bank holding company has) a combined capital, (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000), unless the Agency consents to a lesser amount therefor, and shall be subject to supervision or examination by state or national authorities. 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 the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of the appointment by the successor Trustee.

Section 8.03. Compensation and Indemnification of the Trustee. The Issuer shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee reasonable compensation for its services and reimburse the Trustee for all its reasonable advances and expenditures hereunder, including, but not limited to, advances to and the reasonable fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations hereunder; provided, except as otherwise provided in Section 7.04 hereof, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established hereunder, although the Trustee may take whatever legal actions are available to it directly against the Issuer to recover such compensation or reimbursement. To the extent permitted by law, the Issuer does hereby assume liability for, and agree to defend, indemnify, protect, save and keep harmless, the Trustee and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers or employees or its successors and assigns in any way relating to or arising out of (i) the condition, management, maintenance or use of or from any work done in connection with the Sewer System by the Agency including, the use, storage, preserve, disposal or release of any Hazardous Substances in or about the Agency System, (ii) any act of negligence of the Agency or of any of its agents, contractors, directors, employees, invitees, licensees or officers in connection with the Agency System, (iii) the authorization of the payment to any costs or expenses of the acquisition and construction of the Project, or (iv) the exercise of any rights or obligations of the Trustee hereunder; provided, that no indemnification will be made for willful misconduct or negligence hereunder by the Trustee.

The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and the final payment or defeasance of the Bonds.

Section 8.04. Protection of the Trustee. The Trustee shall be protected and indemnified as stated herein by the Issuer and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the Agency, before being required to take any action under this Indenture with regard to legal questions arising hereunder, and the opinion of such counsel shall be

full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Installment Purchase Agreement or of the assignment made to it herein of all rights to receive the Authority Revenues under the Installment Purchase Agreement, or of the title or value of the Project, and shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof or have received written notice thereof at its corporate trust office in Los Angeles, California. All recitals, warranties or representations contained therein are statements of the Agency, and the Trustee assumes no responsibility for their correctness, and the Trustee shall not be accountable for the use or application by the Agency, or any other party, of any funds which the Trustee properly releases to the Agency or which the Agency may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties other than the Trustee of the Indenture, any Bond, or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in the Indenture), or with respect to any obligation of the Issuer or the Agency hereunder or for the sufficiency of any insurance on the Agency System.

Whenever in the observance or performance of its rights and obligations hereunder or under the Bonds, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, the Trustee may request a Certificate of the Agency and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Agency, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as it were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Agency, and may act as agent, depositary or trustee for any committee or body of Owners or of owners of obligations of the Issuer or the Agency as freely as if it were not the Trustee hereunder. The Trustee shall not be answerable for the exercise of any of its rights hereunder or for the performance of any of its obligations hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct or negligence.

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

The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be responsible for monitoring the compliance of the Agency and the Issuer with the covenants as set forth in Sections 5.03 and 6.03 hereof and Section 4.04 of the Installment Purchase Agreement and may conclusively rely on all written instructions and calculations of the Agency and the Issuer with respect thereto; provided, the Trustee shall promptly comply with all such written instructions as provided in Sections 5.03 and 6.03.

The Issuer shall be not deemed to be an agent of the Trustee and the Trustee shall not be liable for the acts or omissions of the Issuer in connection with the transactions contemplated hereby and by the Installment Purchase Agreement.

The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

Section 9.01. Amendment or Supplement by Consent of Owners. The Indenture and the rights and obligations of the Issuer, the Agency, Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02, are filed with the Trustee. No such amendment or supplement shall (1) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Issuer to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the Bond so affected, or (2) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Indenture and the rights and obligations of the Issuer, the Agency, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Special Counsel and only if, in the opinion of the Trustee (which opinion may be based upon an Opinion of Special Counsel or a Certificate of the Agency), such amendment or supplement is not materially adverse to the interests of the Owners, including, but not limited to, amendments or supplements:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Issuer or the Agency other agreements, conditions, covenants and terms thereafter to be observed or performed by the Issuer or the Agency, or to surrender any right reserved herein to or conferred herein on the Issuer or the Agency, and which in either case shall not adversely affect the interests of the Owners;

(b) to modify, amend or supplement this Indenture in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of this Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Issuer or the Agency may deem desirable or necessary, and which shall not adversely affect the interests of the Owners; and

(d) to make any modifications or changes necessary or appropriate in the Opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The Issuer shall, give written notice of any amendment to the Indenture and the rights and obligations of the Issuer and the Agency and the Owners and the Trustee hereunder to Moody's, S&P and Fitch not less than fifteen (15) days prior to the execution thereof.

Section 9.02. Disqualified Bonds. Bonds known to the Trustee to be held for the account of the Issuer or the Agency (but excluding Bonds held in any pension or retirement fund of the Issuer or the Agency) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided herein, and shall not be entitled to consent to or take any other action provided herein, and the Trustee may adopt appropriate regulations to require each Owner, before his or her consent provided for herein shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this Section.

Section 9.03. Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case, upon demand of the Owner of any Outstanding Bond and presentation of the Bond for such purpose at the corporate trust office of the Trustee in Los Angeles, California, a suitable notation as to such action shall be made on such Bond. If the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged without cost to each Owner for Bonds then Outstanding at the corporate trust office of the Trustee in Los Angeles, California, upon surrender of such Outstanding Bonds. All Bonds surrendered to the Trustee pursuant to the provisions of this Section shall be canceled by the Trustee and shall not be redelivered.

Section 9.04. Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Owner from accepting any amendment or supplement as to the particular Bonds owned by him or her; provided, that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Bonds and Indenture.

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal and redemption premiums, if any, evidenced and represented thereby at the times and in the manner provided herein and therein, then all agreements and covenants of the Issuer and the Agency to such Owners hereunder shall thereupon cease, terminate and become void and shall be completely discharged and satisfied.

(b) Any Outstanding Bonds shall on their maturities or their mandatory redemption dates prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if there shall be on deposit with the Trustee money held in trust for the benefit of the Owners of such Bonds which is sufficient to pay the interest and principal and redemption premiums, if any, on such Bonds payable on and prior to their maturities or their mandatory redemption dates thereto.

(c) Any Outstanding Bonds shall prior to their maturities or their mandatory redemption dates prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturities, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.07 to the Owners of such Bonds of the redemption of such Bonds on such mandatory redemption dates, (2) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or securities, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee at the same time, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the interest on such Bonds on and prior to the earlier of their maturities or their mandatory redemption dates, as the case may be, and the principal and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.07 to the Owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating their maturities or their mandatory redemption dates prior thereto upon which money is to be available for the payment of the interest and principal and redemption premiums, if any, on such Bonds.

(d) The Trustee shall, if so directed by the Issuer pursuant to a Request of the Issuer (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (c) above with respect to any Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee with respect to such Bonds and redeem or sell securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the moneys and securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the interest on those Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on such Bonds, with respect to which such moneys and securities are being held by the Trustee on or prior to the Redemption Date or maturity date thereof; as the case may be. If, at any time (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (c) with respect to any Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, the Issuer shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or Redemption Date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of Bonds to the Trustee shall be accompanied by directions from the Issuer to the Trustee in the form of a Request of the Issuer as to the manner in which such Bonds are to be applied against the obligation of the Trustee to

pay or redeem Bonds deemed paid in accordance with this Section 10.01. The directions given by the Issuer to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section 10.01 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section 10.01 on any date or dates prior to their maturity.

In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 10.01 the total amount of moneys and securities remaining on deposit with the Trustee under this Section 10.01 is in excess of the total amount which would have been required to be deposited with the Trustee on such date with respect to the remaining Bonds in order to satisfy subclause (2) of subsection (c) of this Section 10.01, the Trustee shall, if requested by the Agency pursuant to a request of the Agency, pay the amount of such excess to the Agency free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Indenture; provided, however, before any such excess is transferred to the Agency, the Agency and the Trustee shall have received a report of an Independent Certified Public Accountant to the effect that the amount of moneys and the principal of and interest when due on the securities remaining on deposit with the Trustee after such amount is transferred to the Agency shall be sufficient to pay when due the interest on such Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, of such Bonds.

Except as otherwise provided in this subsection (d) of this Section 10.01, neither securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Agency as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Indenture, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the interest on the Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on the Bonds and interest earned from such reinvestment shall be paid over to the Agency, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Indenture.

(e) After the payment of all interest and principal and redemption premiums, if any, of all Outstanding Bonds as provided in subsections (a) or (b) of this Section, and the payment of all fees and expenses of the Trustee, upon receipt of a Request of the Agency, shall cause an accounting for such period or periods as may be requested by the Agency to be prepared and filed with the Issuer and the Agency and shall authenticate and deliver to the Issuer and the Agency all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the Agency all money or investments held by it pursuant hereto which are not required for the payment of the interest and principal and redemption premiums, if any, evidenced and represented by such Bonds, which money and investments shall be used by the Agency for any lawful purpose.

Section 10.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal or redemption premium, if any, on any Bonds which remains unclaimed for two (2) years after the date when the payments on such Bonds have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal and redemption premiums, if any, on such Bonds have become payable, shall be repaid by the Trustee to the Issuer as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Issuer for the payment of the interest and principal and redemption premiums, if any, on such Bonds; provided, that before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, give notice by mail in accordance with Section 11.07 to Owners of Bonds with respect to which moneys remain unclaimed that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Issuer.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Benefits of the Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended to confer upon, or to give or grant to, any person or entity other than the Issuer, the Agency, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the Issuer or the Agency shall be for the sole, exclusive benefit of the Trustee and the Owners.

Section 11.02. Successor Deemed Included in All References to Predecessor. Whenever either the Issuer, the Agency or the Trustee or any officer, director or employee thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Issuer, the Agency or the Trustee or such officer, director or employee, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Issuer, the Agency or the Trustee or any officer, director or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.03. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he or she purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him or her the execution thereof; or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

Any declaration, acceptance, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Issuer or the Agency or the Trustee in good faith and in accordance therewith.

Section 11.04. Waiver of Personal Liability. No officer, director or employee of the Agency, the Issuer or the Trustee shall be individually or personally liable for the payment of the interest or principal or redemption premiums, if any, on the Bonds, but nothing contained herein shall relieve any officer, director or employee of the Issuer, the Agency or the Trustee from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement or hereby.

Section 11.05. Acquisition of Bonds by the Agency or the Issuer. All Bonds acquired by the Agency or the Issuer, whether by purchase or gift or otherwise, (but excluding Bonds held in any pension or retirement fund of the Issuer or the Agency) shall be surrendered to the Trustee for cancellation, and the Trustee shall credit the amount of such Bonds against the maturities of such Bonds.

Section 11.06. Content of Certificates. Every certificate with respect to compliance with any agreement, condition, covenant or term contained herein shall include (a) a statement that the person or persons executing such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any certificate may be based, insofar as it relates to legal matters, upon an Opinion of Special Counsel unless the person or persons executing such certificate know that the Opinion of Special Counsel with respect to the matters upon which his, her or their certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Special Counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the Agency, upon a representation by an officer or officers of the Agency unless the counsel executing such Opinion of Special Counsel knows that the representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 11.07. Notice by Mail. Any notice required to be given hereunder by mail to any Owners of Bonds shall be given by mailing a copy of such notice, first class postage redeemed, to the Owners of such Bonds at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 not less than fifteen (15) days nor more than thirty (30) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and neither failure to receive any such notice nor any immaterial defect contained therein shall affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

Section 11.08. Funds. Any fund required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. In addition to the funds and accounts required to be established hereunder, the Trustee may establish such other funds and accounts as it deems necessary or appropriate to perform its obligations.

Section 11.09. Deposits and Investments.

(a) Any money held by the Trustee in any of the funds provided herein shall be deposited, pursuant to clause (g) of the definition of Permitted Investments; provided, that any such money shall be invested by the Trustee as directed by the Issuer pursuant to a Request of the Issuer in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder.

(b) The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may, for the purpose of any such deposit or investment, commingle any of the money held by them hereunder, and the Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by them under the terms of and in accordance with this Section. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The Issuer acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish periodic cash transaction statements to the Issuer which includes detail for all investment transactions made by the Trustee hereunder.

(c) Subject to Section 5.03 and subsection (d) of this Section, any interest or profits on such deposits and investments received by the Trustee shall be retained in the fund or account to which they relate and on or before May 1 and November 1 of each year shall be transferred first, if the Issuer so directs, to the Rebate Fund, and second, shall be transferred to the Interest Account of the Bond Payment Fund.

(d) Trustee shall deposit earnings on the Bond Payment Fund to the Interest Account, Principal Account or Redemption Account of the Bond Payment Fund, to the extent money is needed therein to make the interest or principal payment or redemption premiums, if any, as the case may be, on such Interest Payment Date, maturity date, or Redemption Date.

Section 11.10. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "hereof" "hereto," "herewith," "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular article, section, subdivision or clause thereof.

Section 11.11. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Issuer or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder and under all provisions of applicable law. The Trustee and the Issuer hereby declare that they would have executed and entered into the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 11.12. California Law. THE INDENTURE SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.13. Notices. All written notices to be given hereunder shall be given by first class mail, postage redeemed, to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services

If to the Issuer:

Chino Basin Regional Financing Authority
P.O. Box 9020
Chino Hills, California 91709
Attention: Treasurer

If to the Agency:

Inland Empire Utilities Agency
P.O. Box 9020
Chino Hills, California 91709
Attention: General Manager

The Trustee shall give notices to the Rating Agency upon (i) redemption of all Outstanding Bonds, (ii) acceleration of amounts due with respect to the Bonds, (iii) amendments to the Indenture, or (iv) any defeasance of the Bonds. Notices to S&P shall be mailed to the following address: Standard & Poor's, 55 Water Street, 38th Floor, New York, NY, 10041, Attn: Municipal Structured Surveillance.

Section 11.14. Execution in Counterparts. The Indenture may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 11.15. Effective Date. The Indenture shall become effective upon its execution and delivery.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed and entered into the Indenture by their officers hereunto duly authorized as of the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Title: Authorized Officer

CHINO BASIN REGIONAL FINANCING
AUTHORITY

By: _____
Title: President

EXHIBIT A

INITIAL DEPOSITS TO FUNDS AND ACCOUNTS

Net proceeds of the Bonds in the amount of \$_____ (being the aggregate principal amount of the Bonds of \$_____, plus original issue premium of \$_____, less underwriter's discount of \$_____) and certain funds transferred from the Reserve Fund for the Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A (Inland Empire Utilities Agency) (the "2008A Bonds") in the amount of \$_____ will be deposited in the following funds accounts on the Delivery Date:

Issuance Costs Fund	\$
Escrow Fund for 2008A Bonds	_____
Total	\$

EXHIBIT B

[FORM OF BOND]

No. _____

\$ _____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**CHINO BASIN REGIONAL FINANCING AUTHORITY
REFUNDING REVENUE BOND, SERIES 2017A
(INLAND EMPIRE UTILITIES AGENCY)**

Interest Rate	Maturity Date	Dated Date	CUSIP
_____%	November 1, _____	_____, 2017	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The CHINO BASIN REGIONAL FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an Interest Payment Date (the "Record Date") and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before April 15, 2017, in which event it shall bear interest from the Dated Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond), at the interest rate per annum specified above, payable on each Interest Payment Date as determined in the Indenture of Trust, dated as of January 1, 2017, by and between the Authority and the Trustee relating to the Bonds (the "Indenture"). Interest with respect to this Bond shall be paid on each Interest Payment Date at the interest rate set forth above and shall be computed on the basis of a 360-day year consisting of twelve 30 day months. Principal hereof and premium, if any, upon early redemption hereof are payable in lawful money of the United States of America upon presentation and surrender at the corporate trust office of U.S. Bank National Association, as trustee (the "Trustee"), in St. Paul, Minnesota, or at such other or additional offices as may be specified in writing by the Trustee to the Authority and the registered owners (the "Principal Corporate Trust Office"). Interest hereon is payable by check of the Trustee sent by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the Record Date immediately preceding each Interest Payment Date (except that in the case of a registered owner of one million dollars

(\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account within the United States of America in accordance with written instructions provided to the Trustee by such registered owner prior to the Record Date).

This Bond is not a debt of the members of the Authority, the State of California, or any of its political subdivisions, and neither the members of the Authority or said State, nor any of its political subdivisions, is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Authority Revenues (as such term is defined in the Indenture) and other amounts pledged therefor under the Indenture. The Bonds (as hereinafter defined) do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

The Bonds are authorized to be issued in the form of fully registered Bonds in Authorized Denominations; provided that no Bond shall have principal represented thereby maturing in more than one year. Subject to the limitations and conditions and upon payment of the taxes and governmental charges provided in the Indenture, Bonds may be exchanged or transferred as provided in the Indenture at the Principal Corporate Trust Office of the Trustee.

Capitalized terms used herein and not defined herein have the meaning assigned thereto in the Indenture.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Joint Exercise of Powers Agreement, dated as of May 1, 1993, by and among the members of the Authority (the "Joint Exercise of Powers Agreement") and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by Resolution No. 2016-11-___, adopted by the Commission of the Authority on November 16, 2016, (the "Resolution") or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency)" (the "Bonds"), of an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, or interest rates) and all issued pursuant to the provisions of the Joint Exercise of Powers Agreement and the laws of the State of California and pursuant to the Indenture and the Resolution authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Authority Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to refinance the acquisition and construction of certain facilities.

This Bond and the interest and premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by a pledge and a first and exclusive lien on the Authority Revenues. As and to the extent set forth in the Indenture, all of the Authority Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to secure the payment of the principal of and interest and premium (if any) on the Bonds.

The Bonds shall be subject to redemption prior to maturity as follows:

The Bonds maturing on and before November 1, 20__ are not subject to optional redemption prior to their stated maturities. The Bonds maturing on and after November 1, 20__ shall be subject to optional redemption by the Agency at any time on and after November 1, 20__, in whole, or in part, in such order as the Issuer may determine, in Authorized Denominations, from any source of available funds, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium.

The Indenture and the rights and obligations of the Issuer and the Agency and Owners and the Trustee thereunder may be amended or supplemented at any time by an amendment or supplement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall (1) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Issuer to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the Bond so affected, or (2) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Indenture and the rights and obligations of the Issuer and the Agency and the Owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment or supplement which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Special Counsel and only if, in the opinion of the Trustee (which opinion may be based upon an Opinion of Special Counsel or a Certificate of the Agency), such amendment or supplement is not materially adverse to the interests of the Owners, including, but not limited to, amendments or supplements:

(a) to add to the agreements, conditions, covenants and terms contained therein required to be observed or performed by the Issuer or the Agency other agreements, conditions, covenants and terms thereafter to be observed or performed by the Issuer or the Agency, or to surrender any right reserved therein to or conferred therein on the Issuer or the Agency, and which in either case shall not adversely affect the interests of the Owners;

(b) to modify, amend or supplement the Indenture in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any

similar federal statute hereafter in effect or to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Issuer or the Agency may deem desirable or necessary, and which shall not adversely affect the interests of the Owners; and

(d) to make any modifications or changes necessary or appropriate in the Opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The Trustee has no obligation or liability to the registered owners of the Bonds for the payment of interest, principal or redemption premium, if any, with respect to the Bonds out of the Trustee's own funds; the Trustee's sole obligations are those described in the Indenture.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney, at the Office of the Trustee but only in the manner subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for a like aggregate principal amount and of like maturity will be issued to the transferee in exchange therefor.

Bonds may be exchanged at said office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer of or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

IN WITNESS WHEREOF, the CHINO BASIN REGIONAL FINANCING AUTHORITY has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its President and attested to by the facsimile signature of its Secretary, all as of this __th day of ____, 2014.

CHINO BASIN REGIONAL FINANCING AUTHORITY

By: _____
President

ATTEST:

By: _____
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Indenture.

Dated: _____, 2017

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____

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

the within-registered Bond and hereby irrevocably constitute(s) and appoint(s) _____
_____, attorney, to transfer the same on the
registration books of the Trustee with full power of substitution in the premises.

Dated: _____, 20__

Note: The signature(s) on this assignment
must correspond with the name(s) as
written on the face of the within Bond
in every particular without alteration
or enlargement or any change
whatsoever.

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an
eligible guarantor institution.

EXHIBIT C

CERTIFICATE OF GENERAL MANAGER

I am the duly authorized General Manager of the Inland Empire Utilities Agency (the "Agency") and, in accordance with Sections 2.03(a), 4.01(a) and 4.01(b) of the Indenture of Trust dated as of January 1, 2017 (the "Indenture") by and among U.S. Bank National Association, the Chino Basin Regional Financing Authority and the Agency, set forth the following:

1. In accordance with Section 2.03(a) of the Indenture, the Bonds in the aggregate principal amount of \$ _____ shall become payable on November 1 in the years and bear interest at the rate set forth below:

<i>(November 1)</i>	<i>Principal</i>	<i>Interest Rate</i>
	\$	%

2. In accordance with Section 4.01(a) of the Indenture, the Bonds maturing on or after November 1, 20__ are subject to optional redemption prior to their respective stated maturities, as a whole or in part on any date on or after November 1, 20__ in the order of maturity as directed by the Agency in a written request to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity, in integral multiples of \$5,000 from amounts prepaid by the Agency pursuant to the Installment Purchase Agreement at a Redemption Price equal to the principal amount of the Bonds to be redeemed, plus accrued interest represented thereby to the date fixed for prepayment, without premium.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

Dated: ____, 2017

INLAND EMPIRE UTILITIES AGENCY

By: _____
General Manager

**ESCROW AGREEMENT
(SERIES 2008A)**

THIS ESCROW AGREEMENT, dated as of January 1, 2017, by and between the Chino Basin Regional Financing Authority (the "Authority") and U.S. Bank National Association, Los Angeles, California, as Escrow Agent (the "Escrow Agent") hereunder and as trustee (the "2008A Trustee") with respect to the \$_____ outstanding principal amount of the Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A (Inland Empire Utilities Agency), Series 2008A (the "2008A Bonds"), is entered into in accordance with Resolution No. 2016-__ of the Authority, adopted on December 21, 2016 (the "Resolution") and an Indenture of Trust (the "2008A Indenture"), dated as of November 1, 2007, by between the Authority and U.S. Bank National Association, as Trustee (the "2008A Trustee") to currently refund the 2008A Bonds (the "Refunded Bonds"). All capitalized terms not defined herein shall have the meaning set forth in the Indenture (as defined below).

WITNESSETH:

WHEREAS, the Authority has previously issued the 2008A Bonds pursuant to the 2008A Indenture;

WHEREAS, the Authority has caused to be issued and authenticated \$_____ aggregate principal amount of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (the "2017A Bonds") pursuant to the Indenture of Trust, by and between the Authority and U.S. Bank National Association (the "Trustee") for, among other purposes, providing funds to refinance the Refunded Bonds;

WHEREAS, the Authority shall hereby irrevocably deposit with the Escrow Agent a portion of the Bond proceeds of the 2017A Bonds sufficient to pay (as permitted by, in the manner prescribed by, and all in accordance with Article X of the 2008A Indenture) the regularly scheduled principal of and interest on the Refunded Bonds on and prior to November 1, 2017 (the "Redemption Date") and the principal of the Refunded Bonds maturing on and after November 1, 2018, without premium (the "Redemption Price") on the Redemption Date;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Authority and the Escrow Agent agree as follows:

Section 1. Deposit of Moneys. The Authority hereby deposits with the Escrow Agent in immediately available funds \$_____ (the "Escrow Deposit") representing \$_____ from the net proceeds of the sale of the 2017A Bonds, \$_____ from the Reserve Fund of the Refunded Bonds and \$_____ from moneys deposited by the Inland Empire Utilities Agency to be held in irrevocable escrow by the Escrow Agent separate and apart from other funds of the Authority and the Escrow Agent in a fund hereby created and established to be known as the "Escrow Fund" and to be applied solely as provided in this Agreement.

Section 2. Sufficiency of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section I and agrees to hold \$_____ uninvested as cash and to immediately apply \$_____ to the payment of the securities set forth in Exhibit C hereto (the "Escrow Securities")

and to deposit such cash and securities in the Escrow Fund. The Escrow Agent may rely on the conclusion of The Arbitrage Group, Inc. (the "Verification Agent") that the Escrow Securities listed on Exhibit C hereto mature and bear interest payable in such amounts and at such times as will be necessary and sufficient, together with such uninvested cash, to pay the regularly scheduled principal of and interest on the Refunded Bonds on and prior to the Redemption Date and the Redemption Price of the Refunded Bonds maturing on and after November 1, 2018 on the Redemption Date.

Section 3. Payment of Refunded Bonds.

(a) Payment. From the moneys on deposit in the Escrow Fund, the Escrow Agent shall pay the regularly scheduled principal of and interest on the Refunded Bonds on and prior to the Redemption Date and the Redemption Price of the Refunded Bonds maturing on and after the Redemption Date.

(b) Irrevocable Instructions to Provide Notice. The form of the notices required to be mailed pursuant to Section 4.03, Section 10.01 and Section 11.07 of the 2008A Indenture are attached hereto as Exhibit A and Exhibit B. The Authority hereby irrevocably instructs the Escrow Agent (i) to mail a notice to the owners of the Refunded Bonds in the form attached hereto as Exhibit A in accordance with Section 10.01 of the 2008A Indenture that an irrevocable deposit has been made with the Escrow Agent and that the Refunded Bonds have been deemed to be paid, all in accordance with the 2008A Indenture; and (ii) to mail the notice of redemption of the Refunded Bonds maturing on and after November 1, 2018 in accordance with Section 4.03 of the 2008A Indenture as required to provide for the redemption on the Redemption Date of the Refunded Bonds maturing on and after November 1, 2018 in accordance with this Section 3. The Trustee may add such further information to the notices as is necessary and appropriate.

(c) Excess Moneys. Any excess moneys which remain after the payment of the Redemption Price and accrued interest with respect to the Refunded Bonds thirty days after the Redemption Date shall be transferred by the Escrow Agent to the Trustee for deposit into the Bond Payment Fund held by the Trustee under the Indenture in accordance therewith.

(d) Priority of Payments. The owners of the Refunded Bonds shall have a first and exclusive lien on all moneys in the Escrow Fund until such moneys are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2008A Indenture, upon (i) the deposit of the Escrow Deposit with the Escrow Agent in the Escrow Fund as set forth in Section 1 hereof, and (ii) irrevocable instructions from the Authority to the Trustee to send a redemption notice, the obligations created by the 2008A Indenture shall thereupon cease, terminate, become void and be completely discharged and satisfied.

Section 4. Application of Certain Terms of the 2008A Indenture. All of the terms of the 2008A Indenture relating to the making of payments of interest, principal and the Redemption Price with respect to the Refunded Bonds are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Section 8.02 of the 2008A Indenture relating to the resignation and removal and merger of the 2008A Trustee are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

Section 5. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

Section 6. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 hereof and agrees immediately to invest \$_____ of such moneys in the Escrow Securities described in the attached Exhibit C and to deposit such Escrow Securities, together with the balance of such moneys in the amount of \$____, in the Escrow Fund. The amount of \$____ held in the Escrow Fund shall be held as cash except as provided in Section 7 or 8 herein. All Escrow Securities purchased pursuant to this Escrow Agreement shall be deposited in and held for the credit of the Escrow Fund. The Escrow Agent is hereby authorized and empowered to deposit uninvested moneys held hereunder from time to time in demand deposit accounts to be held uninvested as provided herein, established at commercial banks that are corporate affiliates of the Escrow Agent.

Section 7. Investment of Any Remaining Moneys. In the event that the Escrow Agent shall receive any payment of principal or interest from the Escrow Securities prior to the date on which such payment is required for the purposes set forth herein, solely at the written direction of the Authority, the Escrow Agent shall reinvest the amount of such payment, or any portion thereof, in Escrow Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 8, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions and provided the Authority has obtained and delivered to the Escrow Agent an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, that such reinvestment will not adversely affect the exclusion from gross income of interest on the 2017A Bonds for purposes of federal income taxation. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 7 which is not required for the purposes set forth in this Section 7, as verified in the letter of the Verification Agent (the "Letter") originally obtained by the Authority or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions, shall be paid to the Authority promptly after the receipt of such interest income by the Escrow Agent upon the written request of the Authority.

Section 8. Substitution of Securities. Upon the written request of the Authority, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Escrow Securities, provided that there are substituted therefor other Escrow Securities which satisfy the terms of this Agreement, but only after the Authority has obtained and delivered to the Escrow Agent (a) an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, that such reinvestment will not adversely affect the exclusion from gross income of interest payable on the 2017A Bonds for purposes of federal income taxation, and (b) a report by a nationally recognized independent firm of certified public accountants to the effect that such reinvestment will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due, without any further reinvestment, principal or redemption price of the Refunded Bonds. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment or liquidation or reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

Section 9. Indemnity. The Authority hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the Authority or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the Authority shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or misconduct or the negligence or misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the Authority or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement.

Section 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys deposited therein, the retention of the proceeds thereof, the sufficiency of the moneys to pay the Refunded Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the Authority, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the Refunded Bonds or to the validity of this Agreement as to the Authority and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the Authority, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the Authority.

Section 11. Amendments. This Agreement is made for the benefit of the Authority and the owners from time to time of the various Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the Authority; provided, however, that the Authority and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, California Water Code Section 71000 *et seq.* or the 2008A Indenture, for any one or more of the following purposes: (i) to cure any ambiguity or formal

defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the various Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

Section 12. Notice to Rating Agencies. In the event that this agreement or any provision thereof is severed, amended or revoked the Escrow Agent shall provide written notice of such severance, amendment or revocation to Standard & Poor's Corporation, 55 Water Street, New York, New York 10041, and Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, 23rd Floor, New York, New York 10007, Attention: Public Finance Rating Desk/Refunded Bonds.

Section 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either (i) the date upon which the Refunded Bonds have been paid in accordance with this Agreement or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 3(c) of this Agreement.

Section 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the Authority and any other reasonable fees and expenses approved by the Authority; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien whatsoever on any moneys in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

Section 15. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Authority or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

Section 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

Section 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

Section 18. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the Authority in writing and by e-mail at banking@ieua.org (or another address provided by the Authority), immediately upon becoming aware of such deficiency, of the amount thereof. The Escrow Agent shall have no further responsibility regarding any such deficiency.

Section 19. Notice to Authority and Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent specified by the Escrow Agent in accordance with the provisions of the 2008A Indenture. Any notice to or demand upon the Authority shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the Authority at c/o Inland Empire Utilities Agency, P. O. Box 9020, Chino, California 91709, Attention: General Manager (or such other address as may have been filed in writing by the Authority with the Escrow Agent).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

CHINO BASIN REGIONAL FINANCING
AUTHORITY

By: _____
President

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and as 2008A Trustee

By: _____
Vice President

EXHIBIT A

NOTICE OF FULL DEFEASANCE

**CHINO BASIN REGIONAL FINANCING AUTHORITY
REVENUE BONDS, SERIES 2008A
(INLAND EMPIRE UTILITIES AGENCY)**

Maturity Date	Interest Rate	Par Amount	Call Date	Call Price	CUSIP
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NOTICE IS HEREBY GIVEN to the owners of the outstanding Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A (Inland Empire Utilities Agency) (the "Refunded Bonds") that there has been deposited with U.S. Bank National Association (the "Escrow Agent"), and certain moneys as permitted by the Indenture of Trust, made and entered into as of November 1, 2007 (the "2008A Indenture"), by and between the Chino Basin Regional Financing Authority (the "Authority") and U.S. Bank National Association as Trustee, sufficient; together with investment earnings thereon, to pay the regularly scheduled principal of and interest on the Refunded Bonds on and prior to November 1, 2017 and the principal of the Refunded Bonds maturing on and after November 1, 2018, without premium on November 1, 2007. In accordance with the 2008A Indenture, the Refunded Bonds are deemed to have been paid in accordance with Section 10.01 thereof and the obligations of the Authority under the 2008A Indenture and the Installment Purchase Agreements, each made and entered into as of November 1, 2007, by and between the Authority and the Inland Empire Utilities Agency with respect to the Refunded Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

DATED this [] day of [], 20__

U.S. BANK NATIONAL ASSOCIATION as Trustee

EXHIBIT B

NOTICE OF CONDITIONAL REDEMPTION

**CHINO BASIN REGIONAL FINANCING AUTHORITY
REVENUE BONDS, SERIES 2008A
(INLAND EMPIRE UTILITIES AGENCY)**

Maturity Date	Interest Rate	Par Amount	Call Date	Call Price	CUSIP
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NOTICE IS HEREBY GIVEN to the owners of the above-captioned Bonds (the "Refunded Bonds") of the Chino Basin Regional Financing Authority (the "Authority") pursuant to the Indenture of Trust (the "2008A Indenture"), made and entered into as of November 1, 2007, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), that the Refunded Bonds have conditionally been called for redemption on November 1, 2017 (the "Redemption Date").

Payment of the Redemption Price of the Refunded Bonds called for redemption will be paid only upon presentation and surrender thereof in the following manner:

Hand Delivery or Overnight Courier

U.S. Bank National Association
Corporate Trust Services
60 Livingston Ave
1st Floor – Bond Drop Window
St. Paul, MN 55107

Mailing Address

U.S. Bank National Association
Corporate Trust Services
P.O. Box 64111
St. Paul, MN 55164-0111

Owners presenting their Refunded Bonds in person for same day payment must surrender their bonds(s) by 1:00PM on the Redemption Date and a check will be available for pickup after 2:00PM. Checks not picked up by 4:30PM will be mailed to the Owner via first class mail. If payment of the Redemption Price is to be made to the registered owner of a certificate, you are not required to endorse the Bond to collect the Redemption Price Under the Economic Growth and Tax Relief Reconciliation Act of 2003 (the "Act"), 28% will be withheld if the tax identification number is not properly certified.

From and after November 1, 2017, interest evidenced and represented by the Refunded Bonds to be redeemed will cease to accrue.

The redemption of the Refunded Bonds is conditional upon the receipt by the Trustee on or prior to the redemption date of moneys sufficient to pay the principal of and interest with respect to the Refunded Bonds. If such moneys have not been so received, this notice will be of no force and effect and the Trustee will not be required to redeem the Refunded Bonds. Any Refunded Bonds delivered for redemption shall be returned to the respective owners thereof and said Refunded Bonds shall remain outstanding as though this conditional notice of redemption had not been given.

*Neither Authority nor the Trustee shall be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness as shown in this Conditional Redemption Notice. It is included solely for convenience of the Owners.

DATED this [____] day of _____, 20__]

U.S. Bank National Association as Trustee or Escrow Agent

EXHIBIT C
ESCROW SECURITIES

<i>Maturity</i>	<i>Type</i>	<i>Coupon</i>	<i>Par Amount</i>	<i>Cost</i>
		--	\$	\$



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

2008A Revenue Bond Refunding



December 21, 2016
Board of Directors



How can we save money?

- On going review of opportunities to lower costs is consistent with the IEUA Business Goal of Fiscal Responsibility.
- Continued commitment to cost containment.
- Pay down debt;
 - Early repayment of the 2005A Revenue Bonds in 2015 reduced annual debt service costs by ~\$2 million per year for 8 years.
 - Early repayment of the 2008A Revenue Bonds \$125 million was included in the Agency's 2016 five year financial plan.
- Refinance existing debt at a lower interest rate.

Why Refinance Now?

- Interest rates remain very low:
 - Return on investment ~1% for cash reserves
 - Opportunity to replace 5% coupon debt with lower interest rate debt.
- Use of available cash reserves to pay down high interest debt.
- Significant present value savings over the life of the bonds.
- Reducing debt service costs will:
 - Decrease pressure on rates/fees in the future, and
 - improve long term debt coverage ratio.
- Reducing outstanding debt will leave room for future borrowings needed to support the Ten Year Capital Improvement Plan (TYCIP).

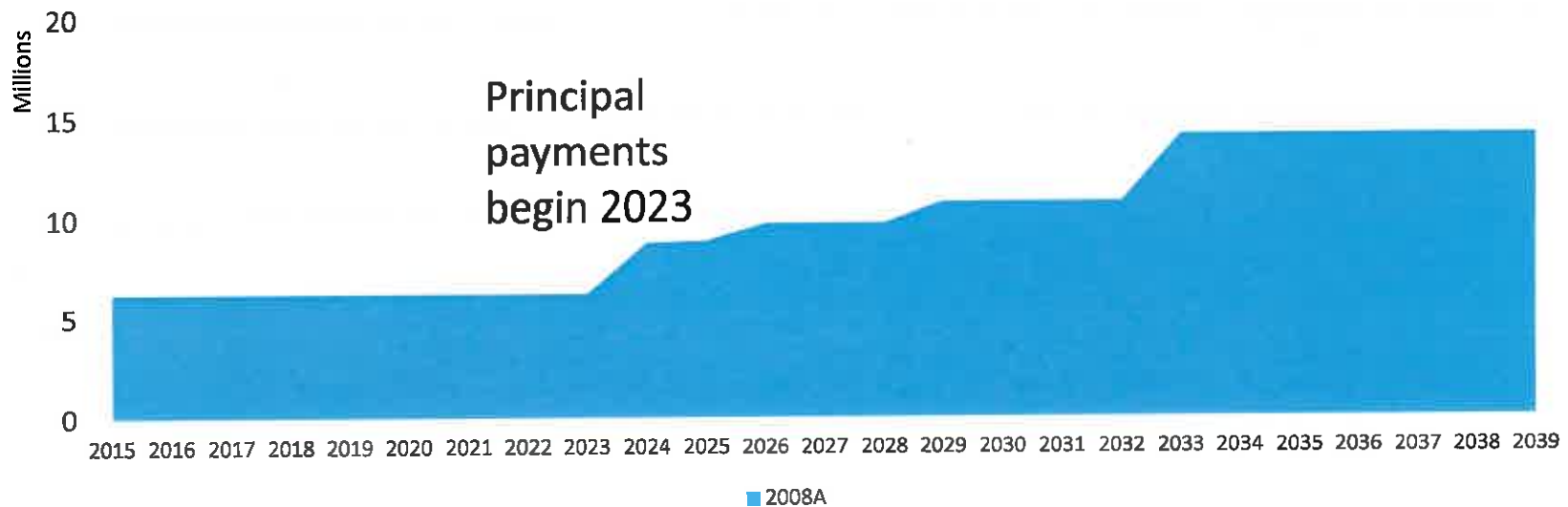
2008A Bonds - \$125M par



Issued to finance capital projects in the Regional Wastewater, Recycled Water and Non-Reclaimable Wastewater programs.

- 5% fixed interest rate
- \$6.250M/year interest only payable through 2022
- Callable for the first time November 1, 2017

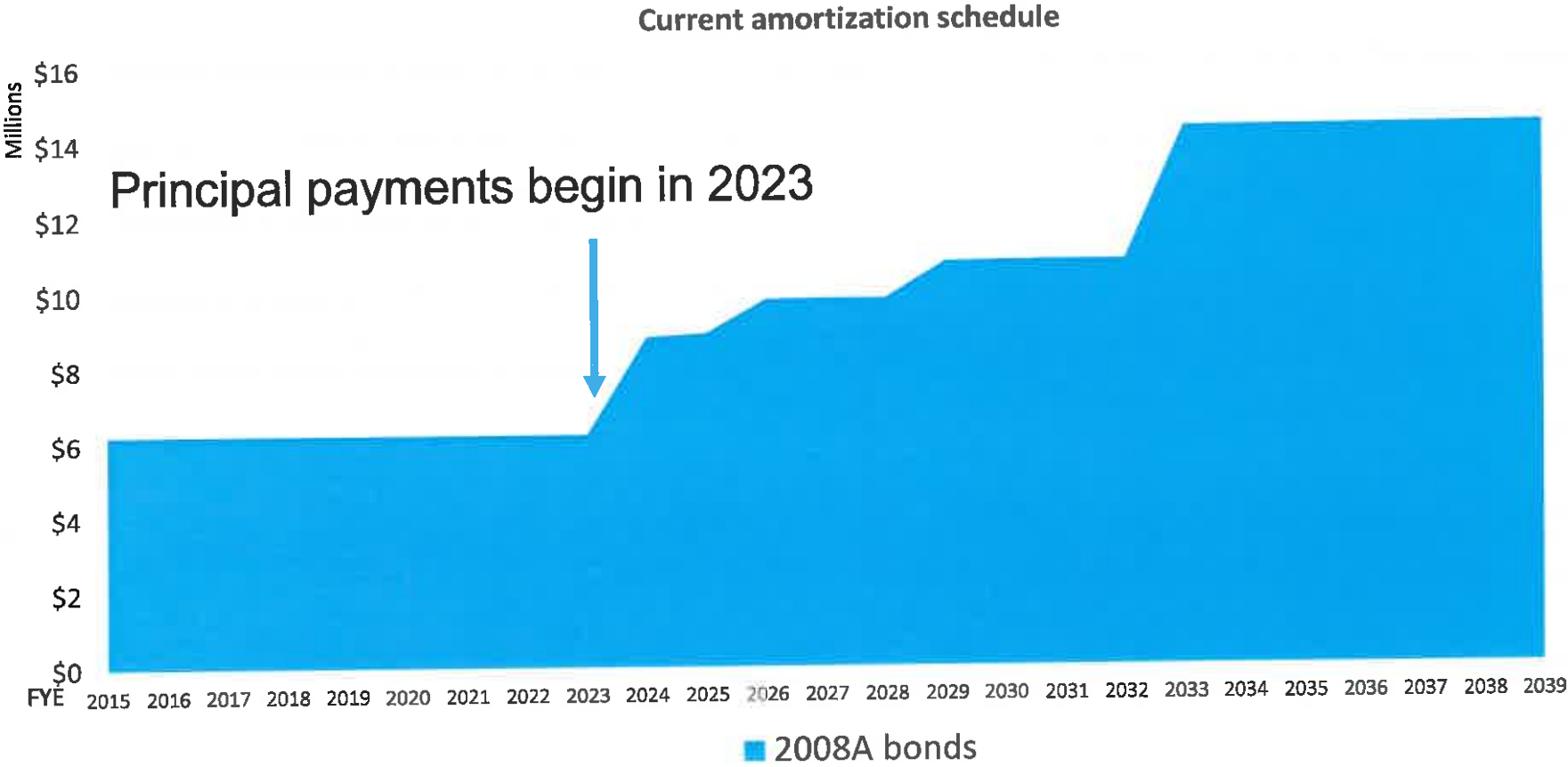
2008A Bonds Current Debt Amortization Schedule



Which scenario saves the most?

Scenario	Name	Pay Down Funded with Cash	Estimated Savings (Gross)
1	Baseline/Do nothing	\$-	None
2	5 Year Pay Down	\$125 million	\$83 million
3	Partial Refinancing/ Cash Pay Down	\$50 million	\$62 million
4	Full Refinancing	\$-	\$23 million

Scenario 1 – Baseline/Do Nothing

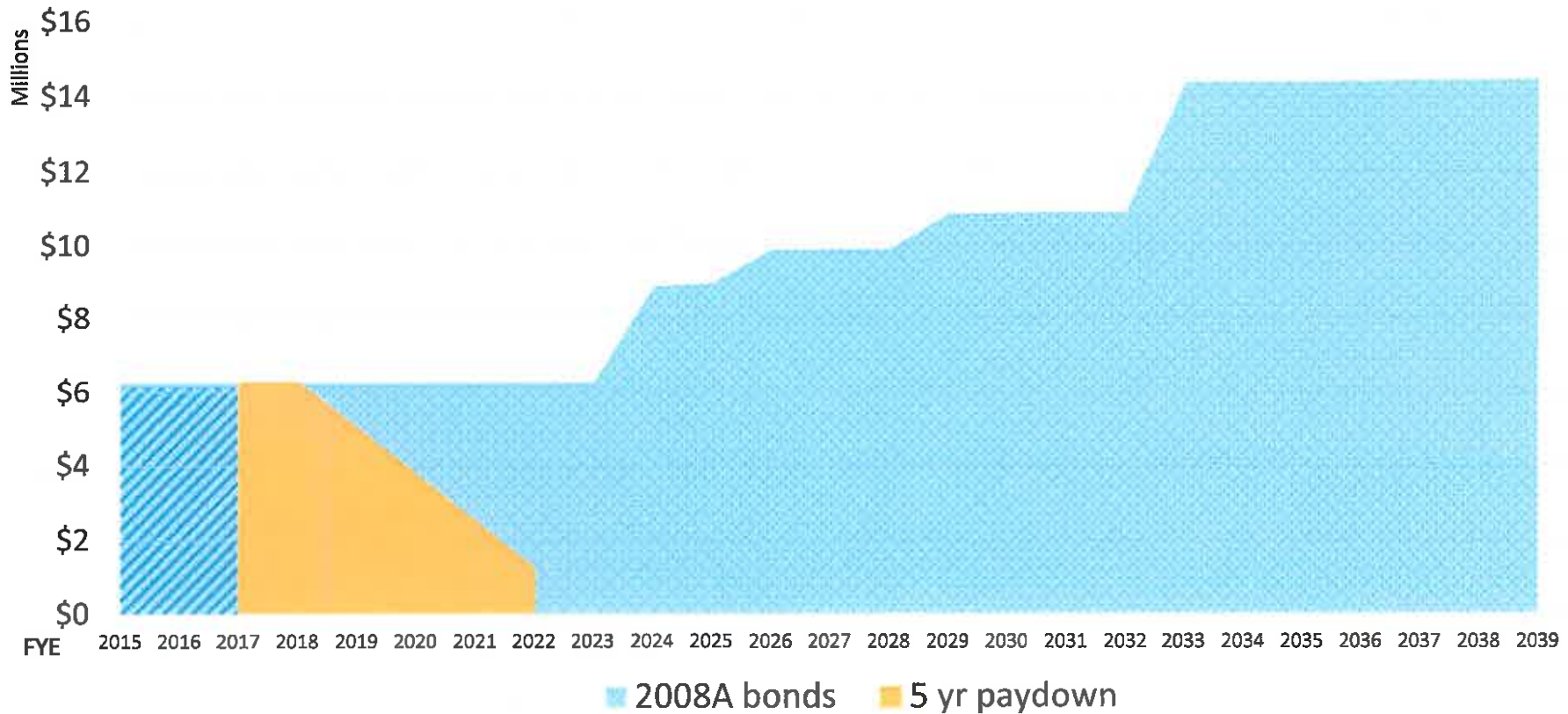


Scenario 2 – 5 year pay down



Total Gross Savings: \$ 82.6 million

Net Present Value Savings \$12.7 million

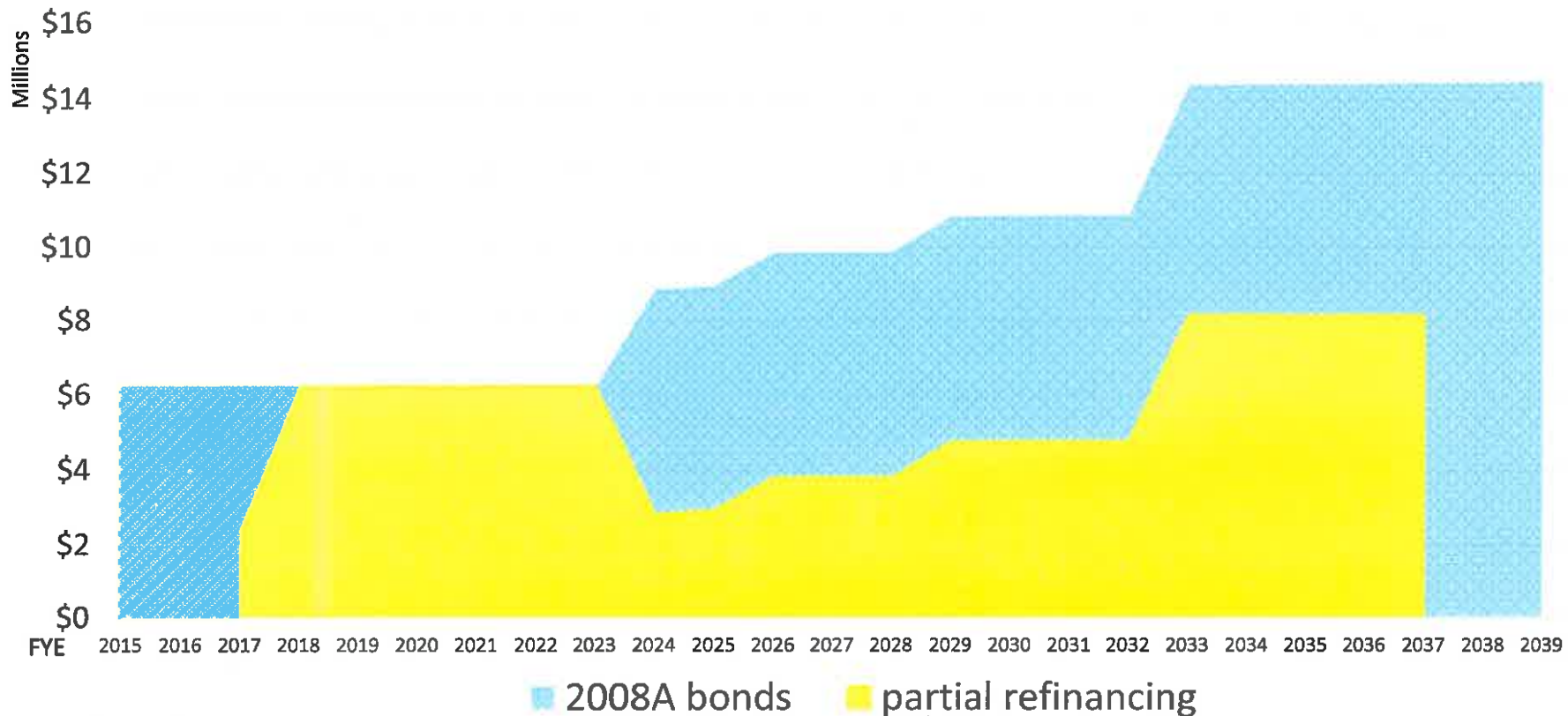


Scenario 3 – Partial Refinancing



Total Gross Savings: \$ 62.3 million

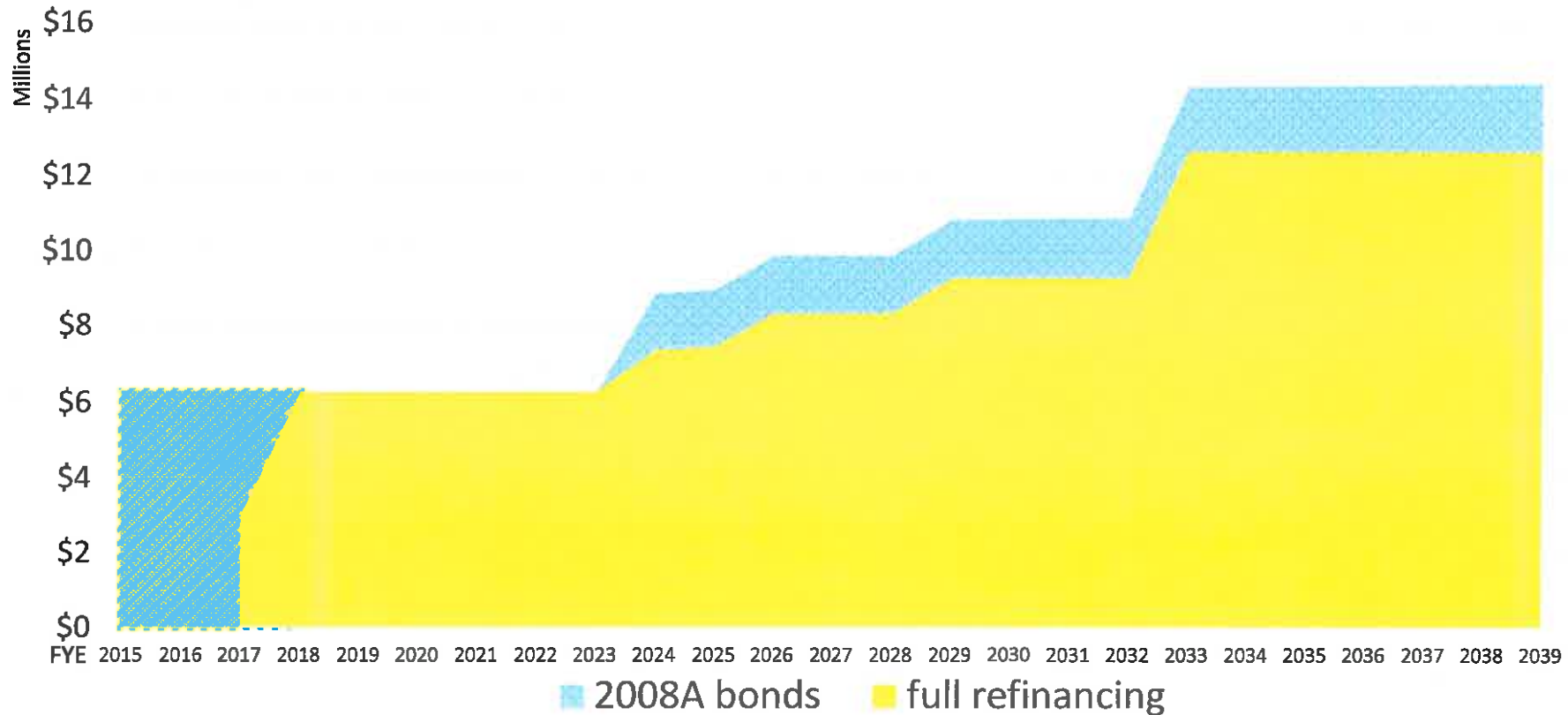
Net Present Value Savings: \$22.0 million



Scenario 4 – Full Refinancing

Total Gross Savings: \$ 23.4 million

Net Present Value Savings: \$ 15.5 million



Recommendation

Scenario 3 – Partial Refinancing



- ❖ **Ensure operational and financial stability**
 - Provides \$62.3 million estimated gross savings
- ❖ **Reduce debt service costs**
 - Lowers debt service payment by ~\$6 million annually from 2024-2037
 - Shortens payment period by 2 years to 2037
 - Relieves upward pressure on future rates and fees
- ❖ **Prudent use of available cash reserves**
 - \$55 million available in CCRA funds
 - Minimal interest earnings due to historically low rates
- ❖ **Ensure debt capacity to support future capital requirements**
 - Estimated 16% reduction of in total principal outstanding debt
 - Debt Coverage Ratio (DCR) maintained above 2.4X over the next 20 years

Current Financing Schedule

Week of	Activity
11/28/16	Special Meeting of the Regional Technical Committee (12/1/2016)
12/5/16	Special Meeting of the Regional Policy Committee (12/6/2016) Redemption Notice to Trustee, Review of final documents IEUA Budget Workshop (12/7/2016)
12/12/16	Receive Credit Ratings
12/19/16	Board approval of final documents, Redemption Notice to Bondholders
1/2/17	Post Preliminary Official Statement (POS), Market Bonds
1/9/17	Pre-pricing (1/11), Pricing (1/12)
1/23/17	Bond Closing

Recommendation

Commissioners to approve resolution No. 2016-8 authorizing the Issuance of a Not-to-Exceed Amount of \$125,000,000 in Revenue Bonds, Series 2017A and Approve the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters

Board to approve resolution No. 2016-12-2 authorizing the Issuance of a Not-to-Exceed Amount of \$125,000,000 in Revenue Bonds, Series 2017A and Approve the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters