



## **ADJOURNMENT**

Note: The Board may take action on any matter, however listed on this Agenda, and whether or not listed on this Agenda, to the extent permitted by applicable law. Staff Reports are subject to change without prior notice.

Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the Recording Secretary to all or a majority of the SPWA Board less than 72 hours prior to that meeting are available for public inspection during normal business hours at the City of Roseville Corporation Yard, 2005 Hilltop Circle, Roseville California 95747.

The meeting is accessible to the disabled. In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Voice:(916) 774-5770, TDD: (916) 774-5220. Requests must be made as early as possible.

## AUTHORITY COMMUNICATION

---

**TO:** South Placer Wastewater Authority      **DATE:** June 30, 2014  
Board of Directors

**FROM:** Jay Panzica, Treasurer  
Monty Hanks, Finance Director

**AUTHORITY COMMUNICATION NO:** 14-18

---

**SUBJECT: Refunding of outstanding 2011 Series D SIFMA Index Bonds**

---

*For SPWA Board Meeting 07/09/14*

### ACTION REQUESTED

Approve issuing up to \$30.5 million of SIFMA Index Bonds, approve the authorizing resolution, Indenture of Trust, Official Statement, Bond Purchase Agreement, and approve expenditures not to exceed \$400,000 for cost of issuance and underwriting spread.

### BACKGROUND

The Authority currently has \$30 million of SIFMA Index Bonds outstanding, which have a final maturity date of November 1, 2014. The Authority has the option to call the bonds earlier, which is what is proposed. This will ensure that the Authority will not be placed in a position where it would be unable to refund the bonds with new debt and could have to draw upon the Rate Stabilization Fund to pay the principal on the outstanding bonds. Further, market rates for SIFMA Index Bonds are lower today compared to when the outstanding bonds were issued in 2011. As such, the Authority has an opportunity to reduce debt service payments by refunding the bonds earlier than November 1, 2014.

### DEBT

The Authority has \$147.415 million of outstanding revenue bonds split into three series: Series 2011C (\$61.31 million) Fixed Rate Bonds, Series 2011D (\$30.00 million) SIFMA Index Bonds and Series 2013 (\$59.33 million) variable rate bonds purchased by U.S. Bank.

Series	Outstanding Par	Call Date	Interest Rate Mode	Final Maturity	Expiration Date	% of Total Debt	Coupon Range
Series 2011C	\$ 58,085,000	11/1/2020	Fixed Rate Bonds	11/1/2025	None	39.4%	4.00% - 5.25%
Series 2011D	\$ 30,000,000	5/1/2014	SIFMA Index Bonds (SIBs)	11/1/2014	None	20.4%	SIFMA plus 0.83%
Series 2013	\$ 59,330,000	Anytime	Variable Rate Bonds (Purchased by U.S. Bank)	11/1/2035	10/3/2016	40.2%	70.5% of 1 Month LIBOR + 0.625%
<b>Total</b>	<b>\$147,415,000</b>						

## **Proposed Transaction**

As shown in the table above, the Authority has \$30 million of 2011 Series D SIFMA Index Bonds outstanding. These bonds must be refunded or paid no later than their maturity date of November 1, 2014. These SIFMA Index Bonds bear interest at a variable rate equal to the SIFMA Index (a measure of short-term tax-exempt interest rates that changes each week), plus a spread of 0.83% (or 83 basis points). When they were issued in 2011, the plan of finance incorporated the likelihood that these bonds would be refinanced between their call date (5/1/2014) and their maturity on 11/1/2014. Given that short-term interest rates remain quite low, and the fact that the Authority also has an interest rate swap that remains outstanding in which the Authority pays a fixed rate equal to 3.665% and receives a variable rate equal to 62% of LIBOR plus 0.26%, it is recommended that the Authority issue a new series of SIFMA Index Bonds to pay for the outstanding Series 2011D bonds. By pursuing this course of action, it is estimated that the Authority will lower interest payments by approximately \$90,000 per year over the next three years.

**Term.** The term of the next series of bonds will also be three years. At the end of three years, the Authority would be in a position to refund the bonds with similar SIFMA Index bonds (like the current transaction) or fixed rate bonds, or retire them with cash.

**Interest rate.** The bonds would bear interest rates equal to the SIFMA Index, plus a spread. It is currently estimated that the spread would be approximately 0.45% (or 45 basis points), but the actual spread will be set on the day of pricing. While the spread is fixed for the entire time the debt is outstanding, the actual interest rate will change depending on the level of short-term interest rates. This compares favorably to the existing bonds that bear an interest rate equal to the SIFMA Index plus 0.83% (83 basis points.) The approximately \$90,000 of annual savings over the next three years is because the spread is expected to be lower by 35-40 basis points.

**Principal.** The principal amount of bonds to be issued would be no greater than \$30.5 million. There is approximately \$1.1 million of funds that may be released from the existing debt service reserve fund to help reduce the size of the refunding bonds. The estimated principal will be about \$29 million, if \$1.1 million is available from the debt service reserve fund at the time of issuance. If there is less money available from the debt service reserve fund, the principal amount would be adjusted as required to fund the purchase of the outstanding bonds, to pay the underwriter's spread and to pay for the cost of issuance.

## **Cost of Issuance**

In order to complete the transaction, the Authority will utilize professional services, including bond and disclosure counsel, Authority counsel, financial advisors, and incur other miscellaneous fees. In addition, as this will be a public offering, credit ratings will be required, and there will be credit rating agency fees. These bonds will be underwritten by Morgan Stanley, and Morgan Stanley will be paid an underwriting fee (discount). The total cost of issuance, including underwriting spread, is estimated to be approximately \$400,000 and will be paid from proceeds of the transaction. Estimated cost of issuance fees are summarized in the table below.

<b>Cost of Issuance</b>	<b>Estimated Fees</b>
Bond Counsel	\$95,000
Bond Counsel Expenses	2,500
Disclosure Counsel	35,000
Authority Counsel	5,000
Financial Advisor	45,000
Financial Advisor Expenses	2,500
S&P	26,500
Moody's	32,000
Trustee	6,000
Miscellaneous	10,000
<b>Cost of Issuance</b>	<b>259,500</b>
<b>Underwriter's Discount</b>	<b>125,000</b>
<b>Total Cost</b>	<b>\$384,500</b>

Approval of the resolution includes a provision approving expenditures associated with the cost of issuance.

Submitted by:

  
 Jay Panzica  
 Treasurer

  
 Monty Hanks  
 Finance Director

Approved by:

  
 Ken Glotzbach  
 Executive Director

Attachments:  
 Resolution 2014-08  
 Indenture of Trust  
 Official Statement  
 Bond Purchase Agreement

**RESOLUTION NO. 2014-08**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTH PLACER  
WASTEWATER AUTHORITY APPROVING REFUNDING BOND FINANCING  
OF WASTEWATER REVENUE BONDS, AUTHORIZING EXECUTION OF A  
SUPPLEMENTAL INDENTURE OF TRUST THEREFOR AND OTHER  
DOCUMENTS, AND RELATED MATTERS**

**WHEREAS**, the City of Roseville (the "City"), together with the County of Placer (the "County") and the South Placer Municipal Utility District (the "District"), have formed a joint powers agency, known as the South Placer Wastewater Authority (the "Authority") for the purpose of jointly financing the Pleasant Grove Wastewater Treatment Plant, improvements to the Dry Creek Wastewater Treatment Plant, and Related Regional Infrastructure (together, the "Project"), and other future regional wastewater facilities, including to issue bonds for such purpose; and

**WHEREAS**, under a Wastewater Revenue Bond Indenture (the "Indenture"), together with supplements thereto, each dated as of April 1, 2011, between The Bank of New York Mellon Trust Company, N.A. (the "Trustee") and the Authority, the Authority has previously issued its Wastewater Revenue Refunding Bonds, Series 2011D (SIFMA Index Bonds) (the "2011D Bonds") in the original principal amount of \$30,000,000, to refinance the Project; and

**WHEREAS**, the Authority, after due investigation and deliberation, has determined that it is in the best interests of the Authority and the City, County and District (together, the "Participants"), that the Authority at this time provide for the refunding of the 2011D Bonds through the issuance of a series of refunding revenue bonds (the "Refunding Bonds") under the provisions of Article 4 of the Joint Exercise of Powers Law (commencing with Section 6584 of the California Government Code) (the "Bond Law"); and

**WHEREAS**, in order to provide for the issuance of the Refunding Bonds, the Authority desires to supplement the Indenture by entering into that certain Fifth Supplemental Wastewater Revenue Bond Indenture, dated as of July 1, 2014 (the "Fifth Supplement"); and

**WHEREAS**, the Authority has prepared a form of Official Statement (the "Official Statement"), to be delivered to prospective purchasers of the Refunding Bonds, which Official Statement describes the Participants, the Authority, and the terms of and the security for the Refunding Bonds; and

**WHEREAS**, the Indenture provides that the Refunding Bonds will be issued as SIFMA Index bonds and will be secured by certain revenues of the Authority on parity with the security provided for the Authority's Wastewater Revenue Refunding Bonds, Series 2011C (Fixed Rate Bonds) in the original principal amount of \$67,040,000, and Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds), in the original principal amount of \$59,330,000, all as described in the Indenture; and

**WHEREAS**, in connection with the issuance of the Refunding Bonds, the Authority will be required to execute a Contract of Purchase providing for purchase of the Refunding Bonds by the Underwriter and certain other documents; and

**WHEREAS**, the Board of Directors of the Authority (the "Board") wishes at this time to authorize all proceedings relating to the Authority's refunding the 2011D Bonds and issuing the Refunding Bonds;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the South Placer Wastewater Authority as follows:

**Section 1. Recitals True and Correct.** The Board hereby determines that the foregoing recitals are true and correct.

**Section 2. Definitions.** Except as otherwise defined herein, all initially capitalized terms shall have the definitions given to them in that certain Amended and Restated Funding Agreement relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2012, among the Authority and the Participants (the "Funding Agreement"), as it may be amended from time to time.

**Section 3. Issuance of the Refunding Bonds; Approval of Indenture.** The Board hereby authorizes the issuance of the Refunding Bonds under and pursuant to the Act and the Indenture in the aggregate principal amount of not to exceed \$30,500,000 for the purposes of refunding the 2011D Bonds, which bonds were issued to provide refinancing of the acquisition and construction of a portion of the Project, and to pay related costs of issuance. The Board hereby approves the Indenture and the supplements thereto, including the pledge of Revenues described therein for payment of the Refunding Bonds, in substantially the form on file with the Secretary, together with such changes, insertions and omissions as may be approved by the Treasurer, Executive Director, or Chair, of the Authority (each, an "Authorized Officer"), such approval to be conclusively evidenced by the execution and delivery thereof. Each Authorized Officer is authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Indenture, for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Indenture.

**Section 4. Sale of the Refunding Bonds.** The Board hereby approves the sale of the Refunding Bonds by the Authority by negotiation to Morgan Stanley & Co. LLC (the "Underwriter"). The Board hereby approves the Contract of Purchase between the Underwriter and the Authority, pursuant to which the Underwriter agrees to purchase the Refunding Bonds (the "Contract of Purchase") in substantially the form on file with the Secretary, together with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof, so long as the aggregate principal amount of Refunding Bonds does not exceed the amount authorized above in this resolution. Each Authorized Officer is authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Contract of Purchase, for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Contract of Purchase.

**Section 5. Approval of Official Statement.** The Board hereby approves the Official Statement, in substantially the form on file with the Secretary, together with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Board hereby authorizes the distribution of the Official Statement by the Underwriter to prospective purchasers of the

Refunding Bonds. Each Authorized Officer is hereby authorized, on behalf of the Authority, to execute and deliver an appropriate certificate stating that the Official Statement has been deemed "final" within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934.

**Section 6. Official Actions.** The Chair, the Vice Chair, the Executive Director, the Treasurer, the Secretary and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including the selection of the Trustee, execution and delivery of an arbitrage certificate and continuing disclosure agreement, any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution, including but not limited to an escrow agreement or refunding instructions pertaining to refunding the 2011D Bonds.

**Section 7. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

\* \* \* \* \*

PASSED AND ADOPTED this 9th day of July 2014, by the following vote:

AYES:

NOES:

ABSENT:

---

Chairperson

Attest:

---

Secretary

**FIFTH SUPPLEMENTAL  
WASTEWATER REVENUE BOND INDENTURE**

**between the**

**SOUTH PLACER WASTEWATER AUTHORITY**

**and**

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

**Dated as of  
August 1, 2014**

(Supplemental to the Master Wastewater Revenue  
Bond Indenture dated as of April 1, 2011)

---

## TABLE OF CONTENTS

	<b><u>Page</u></b>
Section 1. Supplement to Master Indenture	3
ARTICLE XVIII THE 2014 BONDS	3
SECTION 18.01. Definitions	3
SECTION 18.02. Authorization of the Series 2014 Bonds	4
SECTION 18.03. Terms of the Series 2014 Bonds	4
SECTION 18.04. Interest Rate Determination	5
SECTION 18.05. Transfer and Exchange of 2014 Bonds	5
SECTION 18.06. Redemption of Series 2014 Bonds	5
SECTION 18.07. Form and Delivery of Series 2014 Bonds	6
SECTION 18.08. Application of Proceeds of Series 2014 Bonds	6
SECTION 18.09. Establishment and Application of Series 2014 Costs of Issuance Fund	6
SECTION 18.10. Terms of Series 2014 Bonds Subject to the Indenture	6
SECTION 18.11. Continuing Disclosure	7
Section 2. Attachment of Exhibit E	7
Section 3. Effective Date of Fifth Supplemental Indenture	7
Section 4. Execution in Counterparts	7
EXHIBIT A FORM OF SERIES 2014 BOND	

## **Fifth Supplemental Wastewater Revenue Bond Indenture**

(Supplemental to the Wastewater Revenue Bond Indenture  
dated as of April 1, 2011)  
Authorizing the Issuance of  
\$ \_\_\_\_\_ Principal Amount of  
South Placer Wastewater Authority  
Wastewater Revenue Refunding Bonds, Series 2014  
(SIFMA Index Bonds)

This FIFTH SUPPLEMENTAL WASTEWATER REVENUE BOND INDENTURE, dated as of August 1, 2014 (the "Fifth Supplemental Indenture"), between the SOUTH PLACER WASTEWATER AUTHORITY (the "Authority"), a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the "Trustee"),

### **BACKGROUND:**

1. The Authority was created by the South Placer Municipal Utility District (the "District"), the City of Roseville (the "City") and the County of Placer (the "County") (the District, the Authority and the County being referred to herein as the "Participants") pursuant to that certain Joint Exercise of Powers Agreement For The South Placer Wastewater Authority, effective as of October 1, 2000, as amended and restated by an Amended and Restated Joint Exercise of Powers Agreement For The South Placer Wastewater Authority, dated as of October 1, 2012, each among the Participants (the "Joint Powers Agreement").

2. In accordance with the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code (the "Bond Law"), and a Master Revenue Bond Indenture, dated as of April 1, 2011 (the "Master Indenture"), between the Authority and the Trustee, as supplemented by a First Supplemental Wastewater Revenue Bond Indenture, a Second Supplemental Wastewater Revenue Bond Indenture, a Third Supplemental Wastewater Revenue Bond Indenture, and a Fourth Supplemental Indenture, each dated as of April 1, 2011, the Authority issued its Wastewater Revenue Refunding Bonds, Series 2011A (Variable Rate Demand Bonds) (the "Series 2011A Bonds") in the original principal amount of \$30,165,000, its Wastewater Revenue Refunding Bonds, Series 2011B (Variable Rate Demand Bonds) (the "Series 2011B Bonds") in the original principal amount of \$30,160,000, its Wastewater Revenue Refunding Bonds, Series 2011C (the "Series 2011C Bonds") in the original principal amount of \$67,040,000, and its Wastewater Revenue Refunding Bonds, Series 2011D (SIFMA Index Bonds) (the "Series 2011D Bonds") in the original principal amount of \$30,000,000.

3. The Authority has previously refunded the Series 2011A Bonds and Series 2011B Bonds with proceeds of its Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds) (the "Series 2013 Bonds") issued in the original principal amount of \$59,330,000 pursuant to a Wastewater Revenue Bond Indenture, between the Authority and The Bank of New York Mellon Trust Company, N.A., dated as of April 1, 2013 (the "2013 Indenture").

4. The Authority has determined that it is desirable and necessary and in the best interest of the Participants to refund all of the outstanding Series 2011D Bonds and to enter into this Fifth Supplemental Indenture in order to issue its Wastewater Revenue Refunding Bonds,

Series 2014 (SIFMA Index Bonds) (the "Series 2014 Bonds") all to provide funds to defease and redeem all of the Authority's outstanding Series 2011D Bonds and to pay costs of issuance.

5. The Indenture provides that the Authority may issue one or more Series of Bonds from time to time as authorized by a Supplemental Indenture, provided that the conditions set forth in the Master Indenture are met.

6. The Authority has determined that it is necessary and required that the Authority enter into this Fifth Supplemental Indenture in order to establish and declare, in conjunction with the Master Indenture, the terms and conditions upon which the Series 2014 Bonds will be issued and secured and to secure the payment of the principal thereof and premium (if any) and interest thereon.

7. This Fifth Supplemental Indenture is a "Supplemental Indenture" and the Series 2014 Bonds are "Bonds" within the meaning of the Master Indenture, and the Series 2014 Bonds are secured on a parity with all Outstanding Bonds under the Indenture and on a parity with the Series 2013 Bonds issued under the 2013 Indenture.

8. In order to provide for the authentication and delivery of the Series 2014 Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Board of Directors of the Authority has authorized the execution of this Indenture.

9. The Authority has determined that 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 the entering into of this Fifth Supplemental 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 Fifth Supplemental Indenture;

## AGREEMENT:

**Section 1. Supplement to Master Indenture.** In accordance with the provisions of Section 9.01(b)(6) of the Master Indenture, the Master Indenture is hereby amended by adding a supplement thereto consisting of a new article to be designated as Article XVIII. Such Article XVIII will read in its entirety as follows:

### ARTICLE XVIII

#### THE SERIES 2014 BONDS

SECTION 18.01. Definitions. The terms defined in this Section will, for all purposes of this Fifth Supplemental Indenture and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms used but not defined herein will have the meanings set forth in the recitals hereto or in the Master Indenture.

**“Adjusted SIFMA Rate”** means, with respect to the Series 2014 Bonds, the sum of the SIFMA Index Rate and additional interest at a rate of \_\_\_\_%.

**“Adjustment Date”** means, with respect to the Series 2014 Bonds, Wednesday of each week, or if such day is not a Business Day, the next succeeding Business Day.

**“Calculation Agent”** means such person as may be selected by the Authority to perform the functions of Calculation Agent for the Series 2014 Bonds. The initial Calculation Agent will be The Bank of New York Mellon Trust Company, N.A.

**“Interest Payment Date”** means, with respect to the Series 2014 Bonds, the first Business Day of each month commencing with September 1, 2014.

**“Interest Period”** means the period from and including each Interest Payment Date for such Series 2014 Bonds to and including the day next preceding the next Interest Payment Date for such Series 2014 Bonds; provided however, that the first Interest Period for any Series 2014 Bond will begin on (and include) the Issue Date of such Series 2014 Bonds and the final Interest Period will end the day immediately preceding the maturity date of such Series 2014 Bonds.

**“Issue Date”** means, with respect to the Series 2014 Bonds, August \_\_, 2014, the date of issuance and delivery of the Series 2014 Bonds.

**“Record Date”** means, with respect to the Series 2014 Bonds, the fifteenth day of the month preceding an Interest Payment Date.

**“Series 2014 Costs of Issuance Fund”** means the fund by that name established pursuant to Section 18.09.

**“SIFMA”** has the meaning assigned to such term in the Master Indenture.

**“SIFMA Index”** has the meaning assigned to such term in the Master Indenture.

“**SIFMA Index Rate**” has the meaning assigned to such term in the First Supplemental Indenture.

“**SIFMA Index Reset Date**” means, with respect to the Series 2014 Bonds, each Thursday (whether or not such day is a Business Day), commencing on the Issue Date if it is a Thursday, or the first Thursday after the Issue Date.

SECTION 18.02. Authorization of the Series 2014 Bonds. Pursuant to Section 3.01 of this Indenture, a Series of Bonds to be known as the “South Placer Wastewater Authority Wastewater Refunding Revenue Bonds, Series 2014 (SIFMA Index Bonds)” (the “Series 2014 Bonds”) is hereby created. The Series 2014 Bonds will be issued in the principal amount of \$\_\_\_\_\_ in accordance with the Bond Law and the Indenture for the purposes of (i) defeasing and redeeming the Series 2011D Bonds and (ii) paying the Costs of Issuance in connection with the issuance and delivery of the Series 2014 Bonds.

SECTION 18.03. Terms of the Series 2014 Bonds. The Series 2014 Bonds will be issued in fully registered form and will be initially registered in the name of “Cede & Co.”, as nominee of DTC in accordance with Section 2.12 of this Indenture. The Series 2014 Bonds will be issued in denominations of \$5,000, or any integral multiple thereof (not exceeding the principal amount of Series 2014 Bonds maturing at any one time), and each Bond of such series will be assigned a distinctive number.

The Series 2014 Bonds will be dated the Issue Date and will mature, subject to prior redemption, on November 1, 2017.

The Series 2014 Bonds will bear interest at the Adjusted SIFMA Rate. The Adjusted SIFMA Rate from the Issue Date of the Series 2014 Bonds to and including the next succeeding Wednesday is \_\_\_\_%. Thereafter, the Adjusted SIFMA Rate will be determined by the Calculation Agent in accordance with Section 18.04.

Each Series 2014 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or unless such date of authentication is on or before the fifteenth day of the month next preceding the first Interest Payment Date, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2014 Bond, interest is then in default on the Outstanding Series 2014 Bonds, such Series 2014 Bond will bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Series 2014 Bonds. Payment of interest on the Series 2014 Bonds due on or before the maturity or prior redemption of such Series 2014 Bonds will be made to the person whose name appears on the bond registration books of the Trustee as the Owner thereof, as of the close of business on the applicable Record Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Owner at such Owner’s address as it appears on such books, or, upon written request received by the Trustee prior to the fifteenth day of the month preceding an Interest Payment Date, of an Owner of at least \$1,000,000 in aggregate principal amount of Series 2014 Bonds, by wire transfer in immediately available funds to an account within the United States designated by such Owner.

Principal of and redemption premiums, if any, on the Series 2014 Bonds will be payable upon the surrender thereof at maturity or the earlier redemption thereof at the principal

corporate trust office of the Trustee or such other place as designated by the Trustee. Principal of and redemption premiums, if any, and interest on the Series 2014 Bonds will be paid in lawful money of the United States of America.

**SECTION 18.04. Interest Rate Determination.** The interest rate on the Series 2014 Bonds will be a per annum rate equal to the Adjusted SIFMA Rate, applied on the basis of the actual number of days in the applicable Interest Period divided by 365 or 366, as applicable. The Adjusted SIFMA Rate will adjust on each Adjustment Date, with the effective date for each adjustment to be each Thursday. The Adjusted SIFMA Rate for each week during an Interest Period will be determined by the Calculation Agent by applying the SIFMA Index, as determined for each week during the Interest Period to determine the SIFMA Index Rate, and then calculating the Adjusted SIFMA Rate for such week; except that the Series 2014 Bonds may not bear interest in any Interest Period at more than the Maximum Rate. Such Adjusted SIFMA Rate will be multiplied against the Outstanding principal amount of the Series 2014 Bonds during such Interest Period to determine the interest payable on the Interest Payment Date following such Interest Period.

The determination of the Adjusted SIFMA Rate (absent manifest error) will be conclusive and binding upon the Authority and the Owners of the Series 2014 Bonds. If for any reason the Adjusted SIFMA Rate for any week is not established, the Series 2014 Bonds will bear interest at the Adjusted SIFMA Rate last in effect until such time as a new Adjusted SIFMA Rate is established.

All percentages resulting from any step in the calculation of interest on Series 2014 Bonds will be rounded, if necessary, to the nearest ten-thousandth of a percentage point (i.e., to five decimal places) with five hundred thousandths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation of interest on Series 2014 Bonds will be rounded to the nearest cent (with one-half cent being rounded upward).

**SECTION 18.05. Transfer and Exchange of 2014 Bonds.** The Series 2014 Bonds may be transferred or exchanged pursuant to Sections 2.05 and 2.06 of this Indenture, as applicable. However, the Trustee will not be required to transfer or exchange any Series 2014 Bond during the period from the Record Date next preceding each Interest Payment Date to such Interest Payment Date, nor will the Trustee be required to transfer or exchange any Series 2014 Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption thereof.

**SECTION 18.06. Redemption of Series 2014 Bonds.**

(A) **Optional Redemption.** The Series 2014 Bonds will be subject to redemption prior to maturity on or after [May 1, 2017,] at the option of the Authority, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the Authority), on any Business Day, at a Redemption Price equal to 100% of the principal amount of Series 2014 Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption.

(B) **Selection of Series 2014 Bonds for Redemption.** Whenever provision is made in this Article XVIII for the redemption of less than all of a maturity of the Series 2014 Bonds, the Trustee will select the Series 2014 Bonds to be redeemed, from all Series 2014 Bonds not previously called for redemption, in authorized denominations, by lot in any manner which the Trustee in its sole discretion will deem appropriate and fair.

SECTION 18.07. Form and Delivery of Series 2014 Bonds. The Series 2014 Bonds and the certificate of authentication and registration to be executed thereon will be in substantially the form set forth as Exhibit A hereto. At any time after the execution and delivery of this Fifth Supplemental Indenture, the Authority may execute (by the manual or facsimile signature of an Authorized Official) and the Trustee will authenticate and deliver the Series 2014 Bonds in the principal amount of \$\_\_\_\_\_ upon the Request of the Authority.

SECTION 18.08. Application of Proceeds of Series 2014 Bonds; Other Transfers to Redemption Fund. The proceeds of the sale of the Series 2014 Bonds in the amount of \$\_\_\_\_\_ (computed as \$\_\_\_\_\_ principal amount of the Series 2014 Bonds, less \$\_\_\_\_\_ underwriter's discount), will be received by the Trustee on behalf of the Authority and held in trust and will be set aside as follows:

(i) The Trustee will transfer \$\_\_\_\_\_ to the Redemption Fund to be used for the redemption of the Series 2011D Bonds; and

(ii) The Trustee will deposit in the Series 2014 Costs of Issuance Fund \$\_\_\_\_\_, to be applied in accordance with Section 18.09.

On the Issue Date, the Trustee will transfer \$\_\_\_\_\_ from the Parity Reserve Fund to the Redemption Fund to be used for the redemption of the Series 2011D Bonds. After this release of amounts in the Parity Reserve Fund, the aggregate amount on deposit in the Parity Reserve Fund will be \$\_\_\_\_\_, which is the Reserve Requirement as of the Issue Date. As a result, no deposit will be made into the Parity Reserve Fund at the time the Series 2014 Bonds are issued.

SECTION 18.09. Establishment and Application of Series 2014 Costs of Issuance Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Series 2014 Costs of Issuance Fund," until February 1, 2015. The Trustee will deposit to the Series 2014 Costs of Issuance Fund the amount specified in Section 18.08. All money in the Series 2014 Costs of Issuance Fund will be used and withdrawn by the Trustee to pay the Costs of Issuance of the Series 2014 Bonds upon receipt of Requisitions of the Authority filed with the Trustee, each of which will be sequentially numbered and will state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On February 1, 2015 or upon the earlier Request of the Authority, any remaining balance in the Series 2014 Costs of Issuance Fund will be transferred to the Authority.

SECTION 18.10. Terms of Series 2014 Bonds Subject to the Indenture. Except as in this Fifth Supplemental Indenture expressly provided, every term and condition contained in the Indenture will apply to the Fifth Supplemental Indenture and to the Series 2014 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the Fifth Supplemental Indenture.

The Fifth Supplemental Indenture and all the terms and provisions herein contained will form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is hereby ratified and confirmed and will continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

SECTION 18.11. Continuing Disclosure. The Authority hereby covenants and agrees to comply with the Series 2014 Continuing Disclosure Agreement as it may from time to time hereafter be amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the requirements of the Series 2014 Continuing Disclosure Agreement, as it may from time to time hereafter be amended or supplemented, will not be considered an Event of Default and the Trustee will have no right to accelerate amounts due under the Indenture as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Outstanding Series 2014 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations in this Section with respect to the Series 2014 Continuing Disclosure Agreement.

**Section 2. Attachment of Exhibit E**. The Master Indenture is hereby further amended by incorporating therein an Exhibit E setting forth the form of the Series 2014 Bonds, which will read in its entirety as set forth in Exhibit A attached hereto and hereby made a part hereof.

**Section 3. Effective Date of Fifth Supplemental Indenture**. The Fifth Supplemental Indenture will take effect upon its execution and delivery.

**Section 4. Execution in Counterparts**. The Fifth Supplemental Indenture may be executed in several counterparts, each of which will be deemed an original, and all of which will constitute but one and the same instrument.

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

**SOUTH PLACER WASTEWATER  
AUTHORITY**

By: \_\_\_\_\_  
Treasurer

ATTEST:

By: \_\_\_\_\_  
Secretary

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

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

**EXHIBIT A  
(FORM OF SERIES 2014 BOND)**

No. R- \_\_\_\_\_

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

**SOUTH PLACER WASTEWATER AUTHORITY  
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2014  
(SIFMA INDEX BONDS)**

<u>INTEREST RATE</u> Variable	<u>MATURITY DATE</u> November 1, 2017	<u>DATED DATE</u> August __, 2014	<u>CUSIP</u>
----------------------------------	--	--------------------------------------	--------------

REGISTERED OWNER: CEDE & CO.\*\*\*\*\*

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

The South Placer Wastewater Authority, a joint exercise of powers agency duly created under the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the sources provided below), to the registered owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Bond, on the Maturity Date specified above, unless this Bond will have been called for redemption, and payment of the redemption price will have been duly made or provided for, upon presentation and surrender of this Bond, the Principal Amount specified above, and to pay (but only out of the sources provided below) interest on the balance of said Principal Amount from time to time remaining unpaid from and including the original issue date specified above, or from and including the most recent Interest Payment Date (as defined in the Indenture), with respect to which interest has been paid or duly provided for, until payment of said Principal Amount has been made or duly provided for.

This Bond is one of a duly authorized issue of bonds of the Authority, issued in the initial aggregate principal amount of \$\_\_\_\_\_, known as the South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2014 (SIFMA Index Bonds) (the "Bonds"). The Bonds are limited obligations of the Authority, payable solely from Revenues, as defined and provided under the Wastewater Revenue Bond Indenture, as supplemented by the Fifth Supplemental Wastewater Revenue Bond Indenture, each dated as of April 1, 2011 (including all supplements thereto, the "Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Such payment of the Bonds from Revenues is on parity with the Authority's obligation to pay the Series 2011C Bonds and the Series 2013 Bonds (as defined in the Indenture). The Authority was created pursuant to a joint exercise of powers agreement, effective October 1, 2000, and amended and restated as of October 1, 2012, among the City of Roseville (the "City"), the County of Placer (the "County") and the South Placer Municipal Utility District (the "District"). The City, the County and the District are referred to herein collectively as the "Participants." The Revenues and certain other rights and interests under the Indenture have been assigned under the Indenture to the Trustee, having a corporate trust office in San Francisco, California (the "Trust Office").

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE INDENTURE OF TRUST) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND EXECUTED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Interest on this Bond will be payable at an Adjusted SIFMA Rate, as provided in the Indenture. The Adjusted SIFMA Rate from the Issue Date of the Bonds to and including the next succeeding Wednesday is \_\_\_\_%. Thereafter, the Adjusted SIFMA Rate will be determined by the Calculation Agent in accordance with the Indenture. Capitalized terms not defined herein will have the meanings ascribed to them in the Indenture.

The Bonds are initially executed and delivered in denominations of \$5,000 and any integral multiple thereof.

Amounts due hereunder in respect of principal and premium, if any, are payable in lawful money of the United States of America upon the surrender hereof at the corporate trust office of the Trustee (or any successors thereto), or any paying agent appointed by the Trustee. Amounts representing interest are payable by check mailed to the owner of this Bond at such owner's address as it appears on the Bond register as of the first day of the month preceding the day such payment is due, or by wire transfer to any Owner of \$1,000,000 or more of Bonds to the account in the United States specified by such Owner in a written request delivered to the Trustee on or prior to the first day of the month preceding the day such payment is due. Payments of defaulted interest, if any, with respect to this Bond will be paid by check to the registered owner of this Bond as of a special record date to be fixed by the Trustee, notice of which special record date will be given to the Owner of this Bond not less than ten days prior thereto.

The Trustee has no obligation or liability to the Owners to make payments of principal or interest with respect to the Bonds, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer for the benefit of the Bond owners the various funds and accounts established under the Indenture.

The Bonds are subject to redemption prior to maturity on or after [May 1, 2017], at the option of the Authority, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the Authority), on any Business Day, at a Redemption Price equal to 100% of the principal amount of the Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption.

This Bond has been issued by the Authority pursuant to the terms of the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code (the "Bond Law"), and the Indenture. The Authority has certified that it is authorized to enter into the Indenture under the Bond Law and laws of the State of California. The Authority and the Participants have entered into an Amended and Restated Funding Agreement, dated as of October 1, 2012 (the "Funding Agreement"), under which the Authority has agreed to issue the

bonds to finance or refinance the costs of acquiring and constructing a wastewater treatment facility, in consideration of the agreement of the Participants to make payments to the Trustee, from Participant Net Revenues (as described below) which are sufficient to pay debt service on the Bonds and any Parity Debt for such purpose. Reference is hereby made to the Funding Agreement and the Indenture (copies of which are on file at the Trust Office of the Trustee) for a description of the terms on which the Bonds are delivered, the rights thereunder of the owners of the Bonds, the rights, duties and immunities of the Trustee and the rights and obligations of the Participants under the Funding Agreement, and to all of the provisions of the Funding Agreement and the Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Participants are obligated under the Funding Agreement to pay their Proportionate Share of Debt Service (as defined in the Funding Agreement) from the Participant Net Revenues (as such term is defined in the Funding Agreement), derived by the Participants from their respective Participant Systems (as defined in the Funding Agreement). The obligations of the Participants to pay the Participant Net Revenues do not constitute obligations of the Participants for which the Participants are obligated to levy or pledge any form of taxation or for which the Participants have levied or pledged any form of taxation. The obligations of the Participants to pay their Proportionate Share of Debt Service from Participant Net Revenues do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Copies of the Indenture are on file at the principal corporate trust office of the Trustee, and reference to the Indenture and any and all supplements to it and modifications and amendments of it is made for a description of the pledge and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the registered owners of the Bonds, and the limitations on such rights and remedies.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture may be amended by the parties thereto with the written consents of the owners of a majority in aggregate principal amount of the Bonds then outstanding, and may be amended with the written consent or without the consent of the Bond owners under certain circumstances; provided that no such amendment will materially adversely affect the interests of the owners of the Bonds or will impair the right of any owner to receive in any case such owner's principal and interest payments in accordance with such owner's Bond.

Registration of this Bond is transferable by the Owner hereof, in person or by such Owner's attorney duly authorized in writing, at the aforesaid offices of the Trustee, but only in the manner, subject to the limitations, and upon payment of the charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon such registration of transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Authority and the Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond will be overdue, and will not be affected by any notice to the contrary. This Bond will not be entitled to any benefit under the Indenture or become valid for any purpose until it has been duly executed and delivered by the Trustee.

IN WITNESS WHEREOF, the South Placer Wastewater Authority has caused this Bond to be executed in its name by the manual or facsimile signature of its Executive Director and attested by the manual or facsimile signature of its Secretary.

SOUTH PLACER WASTEWATER  
AUTHORITY

By: \_\_\_\_\_  
Executive Director

Attest:

By: \_\_\_\_\_  
Secretary

**[FORM OF CERTIFICATE OF AUTHENTICATION]**

This Bond is one of the Bonds described in the within mentioned Indenture.

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

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

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

**[FORM OF ASSIGNMENT TO APPEAR ON BONDS]**

For value received the undersigned do(es) 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: \_\_\_\_\_

Signature Guaranteed:

---

Note: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

---

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.

**[\$[Principal Amount]**  
**SOUTH PLACER WASTEWATER AUTHORITY**  
**WASTEWATER REVENUE REFUNDING BONDS, SERIES 2014**  
**(SIFMA INDEX BONDS)**

**CONTRACT OF PURCHASE**

July \_\_, 2014

South Placer Wastewater Authority  
Roseville, California

Ladies and Gentlemen:

Morgan Stanley & Co. LLC (the "Underwriter") hereby offers to enter into this Contract of Purchase with the South Placer Wastewater Authority (the "Authority"), which, upon acceptance of this offer by the Authority and delivery to the Underwriter, will be binding upon the Authority and the Underwriter. This offer is made subject to the written acceptance hereof by the Authority on or before 5:00 p.m., Pacific Standard Time, on July \_\_, 2014 and, if not so accepted, will be subject to withdrawal by the Underwriter upon written or oral notice given to the Authority by the Underwriter at any time prior to the acceptance hereof by the Authority.

1. **Purchase and Sale.** (a) Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase, and the Authority hereby agrees to sell to the Underwriter all (but not less than all) of \$[Principal Amount] aggregate principal amount of the Authority's Wastewater Revenue Refunding Bonds, Series 2014 (SIFMA Index Bonds) (the "2014 Bonds"). The 2014 Bonds shall be dated as of the date of Closing (defined below) and will mature on the dates and in the amounts shown in Appendix A hereto. The purchase price of the 2014 Bonds is equal to \$ \_\_\_\_\_, being the sum of the aggregate principal amount of the 2014 Bonds of \$[Principal Amount], less the aggregate Underwriter's discount thereon of \$ \_\_\_\_\_.

(b) Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings given such terms in the Indenture or the Funding Agreement described below, as applicable.

(c) The Authority acknowledges and agrees that (i) the purchase and sale of the 2014 Bonds pursuant to this Contract of Purchase is an arm's-length commercial transaction between the Authority and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Authority, (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the Authority with respect to the offering of the 2014 Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of an Underwriter, has advised or is currently advising the Authority on other matters) or any other obligation to the Authority except the obligations expressly set forth in this Contract of Purchase and (iv) the Authority has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the 2014 Bonds.

2. **The 2014 Bonds.** (a) The 2014 Bonds are being issued by the Authority pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2011, as supplemented from time to time, including by a Fifth Supplemental Wastewater Revenue Bond Indenture, dated as of July 1, 2014 (collectively, the "Indenture"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), for the purpose of providing funds, together with other available moneys, (i) to refund all of the Authority's outstanding Wastewater Revenue Refunding Bonds, Series 2011D, [(ii) to fund a reserve account for the 2014 Bonds, and (iii) to

pay costs of issuance of the 2014 Bonds], as more fully described in the Official Statement relating to the 2014 Bonds, dated July \_\_, 2014 (the "Official Statement"). The Authority was created pursuant to a Joint Exercise of Powers Agreement, dated October 1, 2000, as amended and restated by an Amended and Restated Joint Exercise of Powers Agreement dated as of October 1, 2012, each among the Participants (the "Joint Powers Agreement"). The City of Roseville (the "City") will operate and maintain the Pleasant Grove Wastewater Treatment Plant (the "Pleasant Grove Plant"), the Dry Creek Wastewater Treatment Plan (the "Dry Creek Plant") and other Regional Wastewater Facilities for the mutual benefit of, and provide wastewater treatment services to the City, the South Placer Municipal Utility District (the "District") and the County of Placer (the "County") (collectively, the "Participants" and each a "Participant"). The City, the District and the County are obligated to pay to the Authority the amounts required under the Funding Agreement (as defined below) and the Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities, dated as of October 1, 2000, as amended and restated by the Amended and Restated Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities, dated as of October 1, 2012 (the "Operations Agreement"), each among the Authority and the Participants.

(b) The 2014 Bonds are payable solely from Revenues, consisting principally of payments from the Participants under the Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000, as amended and restated by the Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2012 (the "Funding Agreement"), each among the Authority and the Participants. Under the Funding Agreement, each Participant agrees to make payments of its Proportionate Share of Debt Service and its share of Regional Operation and Maintenance Costs in consideration for the provision by the City of wastewater treatment capacity. The obligation of each of the Participants to make its Proportionate Share of Debt Service is secured by a pledge of the Participant Net Revenues of its Participant System. The payment of Proportionate Share of Debt Service is an unconditional obligation of each of the Participants and is not subject to abatement. The obligation of the Participants to pay their Proportionate Share of Debt Service is a several, but not joint, obligation, and there is no cross-collateralization of the Proportionate Share of Debt Service obligation between the Participants. Upon issuance, the 2014 Bonds will be secured by Revenues on a parity with the Authority's Wastewater Revenue Refunding Bonds, Series 2011C, and the Authority's Wastewater Revenue Refunding Bonds, Series 2013 and the regularly scheduled payments made by the Authority pursuant to the Master Agreement, dated August 28, 2003, between the Authority and Morgan Stanley Capital Services Inc. The Authority may issue or incur additional Parity Bonds, subject to the terms and conditions of the Indenture, as more fully described in the Official Statement. The 2014 Bonds shall be subject to redemption and otherwise shall be as described in the Official Statement and as provided in the Indenture. The Joint Powers Agreement, the Funding Agreement, the Operations Agreement, the Continuing Disclosure Certificate (defined below), the Indenture, the Reallocation and Repayment Agreement, dated as of October 1, 2012 (the "Reallocation Agreement"), by and among the Participants, and this Contract of Purchase are collectively referred to herein as the "Transaction Documents."

(c) The Bonds shall be dated their delivery date. The Bonds shall be delivered in fully registered form, without coupons, in denominations of \$5,000 and any integral multiple thereof. The Bonds shall be substantially in the form described in, and shall be executed and delivered under, the provisions of the Indenture.

3. **Offering.** It shall be a condition to the Authority's obligations to sell the 2014 Bonds to the Underwriter and to the Underwriter's obligation to purchase, to accept delivery of and to pay for the 2014 Bonds, that the entire \$[Principal Amount] aggregate principal amount of the 2014 Bonds shall be so sold by the Authority and purchased, accepted and paid for by the Underwriter at the Closing (as defined herein). The Underwriter agrees to make a public offering of all of the 2014 Bonds at not in excess of the initial public offering prices or less than the yields set forth in the Official Statement, plus interest accrued thereon, if applicable, from the date of the 2014 Bonds.

4. **Liquidated Damages.** In the event of the Authority's failure to deliver the 2014 Bonds at the Closing, or if the Authority shall be unable to satisfy the conditions of the Underwriter's obligation to purchase and accept delivery of the 2014 Bonds as set forth in this Contract of Purchase, or if the Underwriter's obligations with respect to the 2014 Bonds shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate and neither the Underwriter nor the Authority shall be under further obligation hereunder, except that the respective obligations of the Authority and the Underwriter for the payment of expenses, as provided

in Paragraph 10 hereof, shall continue in full force and effect. In the event that the Underwriter fails (other than for a reason permitted hereunder) to accept and pay for the 2014 Bonds at the Closing as herein provided, the amount of 1% of the Par Amount (provided that such amount shall not exceed \$500,000) shall be paid by the Underwriter to, and shall constitute full liquidated damages of, the Authority, as well as any other person or entity (to be used to pay the expenses of the Authority incurred in connection with this proposed transaction), for such failure and for any defaults hereunder on the part of the Underwriter. The Underwriter and the Authority understand that in such event the Authority's actual damages may be greater or may be less than such sum, that the amount of such damages would be impracticable to ascertain, and that the amount set forth above represents a reasonable estimate, made in good faith, of such damages in accordance with California Civil Code Section 1671. Accordingly, the Underwriter hereby waives any right to claim that the Authority's actual damages are less than such sum, and the Authority's acceptance of this offer shall constitute a waiver of any right the Authority may have to additional damages from the Underwriter.

5. **Official Statement, Delivery of Other Documents, Use of Documents.** (a) At or before the time of the Authority's acceptance hereof, the Authority shall furnish the Underwriter with a copy of the final Official Statement, executed by the Chair of the Authority. The Authority shall thereafter deliver to the Underwriter, as promptly as practicable but in no event later than July \_\_, 2014, such number of copies of the Official Statement as the Underwriter may reasonably request in order for the Underwriter to comply with the rules of the Municipal Securities Rulemaking Board and Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934.

(b) The Authority will undertake, pursuant to a continuing disclosure certificate, dated as of July \_\_, 2014 and each of the Participants will undertake with the Trustee, as dissemination agent thereunder, pursuant to separate continuing disclosure agreements, each dated as of July \_\_, 2014 (collectively, the "Continuing Disclosure Certificate"), to provide certain annual financial information and notices of certain material events, as set forth in Appendix I to the Official Statement and as described in the sections entitled "INTRODUCTION - Continuing Disclosure" and "CONTINUING DISCLOSURE" of the Official Statement.

(c) The Authority authorizes the use by the Underwriter of the Official Statement (including any supplements or amendments thereto) and the Transaction Documents and the information therein contained, in connection with the public offering and sale of the 2014 Bonds. The Authority also consents to the use by the Underwriter, prior to the date hereof, of the Official Statement in connection with the public offering of the 2014 Bonds.

(d) As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplement or amendment thereto, to the Municipal Securities Rulemaking Board (the "MSRB") as specified by Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule").

6. **Representations, Warranties and Agreements of the Authority.** The Authority hereby represents, warrants and agrees as follows:

(a) At both the time of the Authority's acceptance hereof and at the time of the Closing, the Authority is, and will be, a duly existing joint powers authority, organized under and by virtue of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, with full legal right, power and authority to issue the 2014 Bonds and to enter into, adopt, execute and deliver the Transaction Documents to which the Authority is a party (the "Authority Documents").

(b) The Authority has full legal right, power and authority (i) to carry out and consummate the transactions contemplated by the Authority Documents and the Official Statement, and (ii) to cause the Trustee to authenticate and deliver the 2014 Bonds to the Underwriter as provided in the Indenture and herein.

(c) By all necessary official action of the Authority, the Authority has duly approved the Official Statement; the Authority has duly authorized and approved the issuance of the 2014 Bonds and the execution and delivery of the Authority Documents; the Authority has duly authorized and approved the performance by the Authority of its obligations and the consummation by it of all other transactions contemplated by the Official Statement and the Authority Documents to have been performed or consummated by the Authority at or

prior to the date of Closing; and the Authority has complied, and will at the Closing be in compliance in all respects, with the laws of the State of California and of the United States and with its obligations in connection with the issuance of the 2014 Bonds on its part contained in the Authority Documents.

(d) The 2014 Bonds and the Authority Documents conform in all material respects to the descriptions thereof contained in the Official Statement.

(e) At or prior to Closing, the Authority Documents shall have been duly executed by the Authority and each shall be legal, valid and binding obligations of the Authority, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and subject, as to enforceability, to the general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); and, upon the execution and delivery of the 2014 Bonds to the Underwriter, the Indenture will provide, for the benefit of the respective owners from time to time of the 2014 Bonds, a legally valid and binding pledge of and lien on the funds and accounts established under the Indenture and the Revenues and other moneys pledged under the Indenture, as provided in and contemplated by the Indenture.

(f) Between the date of this Contract of Purchase and the date of the Closing, except as contemplated by the Official Statement, the Authority will not incur any material liabilities, direct or contingent, or enter into any material transaction, in either case other than in the ordinary course of its business, and, except as contemplated by the Official Statement, there shall not have been any material adverse change in the condition, financial or physical, of the Authority other than changes in the ordinary course of business.

(g) The Authority is not in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute a default or event of default under any such instrument; and the execution and delivery of the Authority Documents, and compliance with the provisions of the Authority Documents will not conflict with or constitute a breach of or default under any constitutional provision, law, administrative regulation, judgment, court decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is subject, or by which it is bound.

(h) 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, government agency, public board or body to the best knowledge of the officer of the Authority executing this Contract of Purchase, pending or threatened (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting or seeking to prohibit, restrain or enjoin the issuance of any of the 2014 Bonds, or the collection of Revenues pledged or to be pledged to pay the principal or interest due with respect to the Indenture or the 2014 Bonds, or application of the proceeds of sale of the 2014 Bonds, or in any way contesting or affecting the validity of the 2014 Bonds, the Authority Documents, or the tax-exempt status of interest on the 2014 Bonds, or the collection of said Revenues, or the pledge thereof, or contesting the powers of the Authority or any authority for the issuance of the 2014 Bonds or the execution and delivery by the Authority of the Authority Documents; 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 necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) The Authority will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriter as the Underwriter may request (i) to qualify the 2014 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 (ii) to determine the eligibility of the 2014 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the 2014 Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the issuance, sale and delivery of the 2014 Bonds under this Contract of Purchase have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2014 Bonds; and, except as disclosed in the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission, having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Authority of its respective obligations under the Authority Documents, have been duly obtained.

(k) The information in the Official Statement did not on the date thereof, and will not, as of the date of the Closing, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) At the time of the Authority's acceptance hereof and (unless an event occurs of the nature described in subparagraph (n) of this Paragraph 6) at all times during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the 2014 Bonds (as determined in accordance with Paragraph 16 hereof), the information in the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) If the information in the Official Statement is supplemented or amended pursuant to subparagraph (n) of this Paragraph 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the 2014 Bonds (as determined in accordance with Paragraph 16 hereof), such information, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(n) If during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the 2014 Bonds (as determined in accordance with Paragraph 16 hereof) any event shall occur which might or would cause the information in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall 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 will prepare and furnish to the Underwriter (i) a reasonable number of copies of the supplement or amendment to the Official Statement in form and substance acceptable to the Underwriter, and (ii) if such notification shall be subsequent to the Closing, such legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(o) Prior to the Authority's acceptance hereof, the Authority delivered to the Underwriter copies of the Official Statement which the Authority deemed final (for purposes of the Rule) as of the date thereof.

(p) The Authority has heretofore prepared and delivered to the Underwriter the Official Statement, with respect to the 2014 Bonds, which the Authority confirms it has "deemed final" for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Authority ratifies and consents to the distribution by the Underwriter prior to the date hereof of the Official Statement in connection with the public offering of the 2014 Bonds.

(q) The Authority agrees, pursuant to the Continuing Disclosure Certificate, to provide or cause to be provided to the MSRB certain annual financial information and operating data and agree to provide, or cause to be provided, to the MSRB in a timely manner notice of certain material events respecting the 2014 Bonds. These agreements have been made in order to assist the Underwriter in complying with the Rule.

(r) Except as disclosed in the Official Statement, the Authority has not failed to comply with any of its undertakings to provide continuing disclosure pursuant to Rule 15c2-12(b)(5) of the Securities Exchange Act of 1934, as amended.

7. **Closing.** At 9:00 a.m., Pacific Standard Time, on July \_\_, 2014, or at such other time or on such later date, as shall have been mutually agreed upon by the Authority and the Underwriter, the Authority will cause the Trustee to deliver to The Depository Trust Company (“DTC”) in New York, New York, on behalf of the Underwriter, the 2014 Bonds, in definitive form duly executed by the Trustee, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery to DTC and will pay the purchase price of the 2014 Bonds, as set forth in Paragraph 1(a) hereof by delivering Federal or other immediately available funds in the amount of such purchase price to the Trustee. Such payment and delivery is herein called the “Closing.” The 2014 Bonds shall be prepared in fully registered form without coupons in authorized denominations and registered in the name of “Cede & Co.,” as nominee of DTC; there shall be one (1) typewritten bond for each maturity of the 2014 Bonds.

8. **Closing Conditions.** The Underwriter has entered into this Contract of Purchase in reliance upon the respective representations and warranties of the Authority contained herein and the performance by the Authority of its obligations hereunder both as of the date hereof and as of the date of Closing. The Underwriter’s obligations under this Contract of Purchase shall be conditioned upon the performance by the Authority of its obligations to be performed hereunder and under the other Transaction Documents and any other instruments delivered in connection with the issuance and delivery of the 2014 Bonds and shall also be subject to the following further conditions:

(a) The respective representations and warranties of the Authority contained herein shall be true, complete and correct in all material respects on the date hereof and on the date of the Closing.

(b) At the time of the Closing (i) the Joint Powers Agreement shall be in full force and effect and shall not have been amended, modified or supplemented without the prior consent of the Underwriter since the date of its initial adoption and (ii) the Authority shall perform or have performed its obligations under or specified in this Contract of Purchase which are required to be performed at or prior to the Closing.

(c) At or prior to the Closing, the Underwriter shall receive the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed by the Chair of the Authority;

(2) A copy of the Joint Powers Agreement, certified by the City Clerk of City and each of the respective Clerks of the Board of the County and the District as having been duly adopted by such Participant and as being in full force and effect on the date of Closing, with such changes or amendments as may have been agreed to by the Underwriter;

(3) The final opinion of Jones Hall, A Professional Law Corporation, San Francisco, California (“Bond Counsel”), dated the date of the Closing, in substantially the form attached to the Official Statement as Appendix H, together with a letter, dated the date of the Closing, from Bond Counsel addressed to the Underwriter stating that the Underwriter may rely on such opinion as though it was addressed to the Underwriter;

(4) The supplemental opinion of Bond Counsel, dated the date of Closing and addressed to the Underwriter, to the effect that (i) the 2014 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification

pursuant to the Trust Indenture Act of 1939, as amended; and (ii) as of its date, or the date of the most recent amendment or supplement thereto, the statements set forth in the Official Statement contained under the headings "INTRODUCTION", "THE 2014 BONDS," "SECURITY FOR THE SERIES 2014 BONDS" and "TAX MATTERS" and in Appendices G, and H thereto, insofar as such statements expressly summarize certain provisions of the 2014 Bonds, the Indenture, and such firm's opinion concerning certain federal tax matters relating to the 2014 Bonds, are accurate in all material respects; (iii) this Contract of Purchase has been executed and delivered by the Authority and is a valid and binding agreement of the Authority; and (iv) no facts came to the attention of Bond Counsel which caused Bond Counsel to believe that the Official Statement as of its date (except for any CUSIP numbers, financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or any information about book-entry, DTC and the information contained in Appendix A, B-2, C-2, D-2 and F, or referred to therein, which Bond Counsel expressly excludes from the scope of this paragraph and as to which Bond Counsel expresses no opinion or view), contained or contains 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, not misleading;

(5) An opinion of counsel to each of the Participants, dated the date of the Closing and addressed to the Underwriter to the effect that the Funding Agreement, the Reallocation Agreement, the Operations Agreement, the Joint Powers Agreement and the applicable Continuing Disclosure Certificate (collectively, the "Participant Documents") have each been duly authorized, executed and delivered by such Participant, and the Participant Documents each constitute the valid and binding obligations of such Participant, enforceable against such Participant, except to the extent that the enforceability thereof may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws now or hereafter enacted affecting the enforcement of creditors' rights and the unavailability of equitable remedies or other application thereto of general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law);

(6) The opinion of Orrick, Herrington & Sutcliffe LLP, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(7) An opinion of Miller, Owen & Trost, A Professional Corporation, counsel to the Authority, dated the date of Closing and addressed to the Underwriter, to the effect that (i) the Authority is duly existing as a joint exercise of powers entity, organized under and by virtue of the laws of the State of California, with full legal right, power and authority to issue the 2014 Bonds and to execute and deliver the Authority Documents and the Official Statement; (ii) the resolutions of the Authority approving and authorizing the issuance of the 2014 Bonds, the execution and delivery of the Authority Documents and the distribution of the Official Statement in preliminary and final form was duly adopted at a meeting of the governing body of the Authority 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 through; (iii) the Authority Documents have each been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, are valid and binding obligations of the Authority, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws from time to time in effect affecting the enforceability of creditors' rights generally and to general principles of equity, regardless of whether considered in a proceeding in equity or at law; (iv) the execution and delivery of the Authority Documents and the Official Statement, and compliance with the provisions hereof and thereof, do not and will not conflict with or constitute on the part of the Authority a breach or default under any existing law, regulation, court order or consent decree to which the Authority is subject, or, to the best of such counsel's knowledge after due inquiry, any agreement or instrument to which the Authority is a party or by which the Authority is bound; (v) all actions on the part of the Authority necessary for the making and performance of the Authority Documents, and the actions on the part of the Authority contemplated hereby and thereby, including causing the issuance of the 2014 Bonds, have been duly and effectively taken and no consent, authorization or approval of, or filing or registration with, any governmental or regulatory officer or body not already obtained is required to be obtained by the Authority for the making and performance of the Authority Documents, or the actions on the part of the Authority contemplated hereby and thereby, including causing the issuance of the 2014 Bonds; (vi)(A) other than as set forth in the Official Statement, no litigation is pending or, to such counsel's

knowledge, threatened in any court to restrain or enjoin the issuance of any of the 2014 Bonds, or the application of the proceeds of sale of the 2014 Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due with respect to the 2014 Bonds, or in any way contesting or affecting the execution, delivery or validity of the Authority Documents or the 2014 Bonds or the security therefor; and (B) other than as set forth in the Official Statement, there is no litigation pending, or, to such counsel's knowledge, threatened against the Authority or involving any of the property or assets under the control of the Authority wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Authority to perform its obligations under the Authority Documents or the transactions contemplated thereby or the security for the 2014 Bonds or the federal or State tax-exemption of interest due on the 2014 Bonds; and (vii) as of its date, or the date of the most recent amendment or supplement thereto, the statements set forth in the Official Statement contained under the headings "INTRODUCTION" and "SECURITY FOR THE SERIES 2014 BONDS" and in Appendix G thereto, insofar as such statements expressly summarize certain provisions of the JPA Agreement, the Reallocation Agreement and the Funding Agreement, are accurate in all material respects.

(8) A certificate of the Chair of the Authority (or other appropriate official of the Authority agreed to by the Underwriter), dated the date of Closing, to the effect that (i) each of the representations and warranties set forth in Paragraph 6 hereof is true, accurate and complete in all material respects as of the Closing and each of the agreements of the Authority, as set forth in this Contract of Purchase to be complied with at or prior to the Closing, has been complied with, (ii) other than as set forth in the Official Statement, to such official's knowledge, no litigation is pending or threatened in any court to restrain or enjoin the issuance of any of the 2014 Bonds, or the application of the proceeds of sale of the 2014 Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due on the 2014 Bonds, or in any way contesting or affecting the execution, delivery or validity of the Authority Documents or the 2014 Bonds or the security therefor; and (iii) other than as set forth in the Official Statement, to such official's knowledge, there is no litigation pending or threatened against the Authority or involving any of the property or assets under the control of the Authority wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Authority to perform its obligations under the Indenture or the transactions contemplated thereby or the security for the 2014 Bonds or the exclusion of interest due on the 2014 Bonds from gross income for purposes of federal or State income taxation.

(9) A certificate of each Participant, executed by an authorized officer of such Participant, in form and substance acceptable to the Underwriter, dated the date of Closing, to the effect that (i) the Participant is duly existing as a charter city, political subdivision of the State of California, or municipal utility district, as applicable, organized under and by virtue of the laws of the State of California, with full legal right, power and authority to execute and deliver the Participant Documents; (ii) the Participant Documents have each been duly authorized, executed and delivered by the Participant and, assuming due authorization, execution and delivery by the other parties thereto, are valid and binding obligations of the Participant, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws from time to time in effect affecting the enforceability of creditors' rights generally and to general principles of equity, regardless of whether considered in a proceeding in equity or at law; (iii) the execution and delivery of the Participant Documents, and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the Participant a breach or default under any existing law, regulation, court order or consent decree to which the Participant is subject, or, to the best of their knowledge after due inquiry, any agreement or instrument to which the Participant is a party or by which the Participant is bound; (iv) all actions on the part of the Participant necessary for the making and performance of the Participant Documents, and the actions on the part of the Participant contemplated hereby and thereby have been duly and effectively taken and no consent, authorization or approval of, or filing or registration with, any governmental or regulatory officer or body not already obtained is required to be obtained by the Participant for the making and performance of the Participant Documents, or the actions on the part of the Participant contemplated hereby and thereby; and (v) other than as set forth in the Official Statement, to such official's knowledge, no litigation is pending or threatened in any court to restrain or enjoin the issuance of any of the 2014 Bonds, or the application of the proceeds of sale of the 2014 Bonds, or the

collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due on the 2014 Bonds, or in any way contesting or affecting the adoption or validity of the Joint Powers Agreement or the execution, delivery or validity of the other Participant Documents or the security therefor; (vi) other than as set forth in the Official Statement, to such official's knowledge, there is no litigation pending or threatened against the Participant or involving any of the property or assets under the control of the Participant wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Participant to perform its obligations under the Participant Documents, or the transactions contemplated thereby; and (vii) the information contained in Appendix B, C, D and/or E, as applicable, of the Official Statement does not contain any untrue statement of a material fact or omit any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(10) A certificate signed by an authorized officer of the Trustee, to the effect that: (i) the Trustee is a duly organized and validly existing national banking association and has full power and authority to carry out the activities of the Trustee under the Transaction Documents to which it is a party (the "Trustee Documents"); and (ii) the 2014 Bonds have been duly authenticated and delivered by the Trustee in accordance with the Indenture, and the Trustee Documents have been duly authorized, executed and delivered by the Trustee; and (iii) the execution and delivery of the Trustee Documents and authentication and delivery of the 2014 Bonds, and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, court decree, resolution, charter, by-law or agreement to which the Trustee is subject or by which it is bound;

(11) An opinion of counsel to the Trustee, addressed to the Underwriter and the Authority, to the effect that (i) the Trustee Documents have been duly authorized, executed and delivered by the Trustee and constitute the valid and legally binding agreements of the Trustee enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights; (ii) the Trustee has lawful authority for the authentication and delivery of the 2014 Bonds; and (iii) the 2014 Bonds have been duly authenticated by the Trustee and delivered in accordance with the Indenture and are entitled to the benefits of the Indenture;

(12) Executed copies of each Transaction Document;

(13) Evidence satisfactory to the Underwriter that, as of the date of Closing, the 2014 Bonds are rated "\_\_\_\_" by Moody's Investors Services, Inc. ("Moody's") and "\_\_\_\_" by Standard & Poor's Ratings, a division of McGraw Hill Companies, Inc. ("S&P");

(14) A tax certificate, executed by the Authority, in form satisfactory to the Underwriter and Bond Counsel;

(15) A properly and fully executed IRS Form 8038-G relating to the Bonds;

(16) Two transcripts of all proceedings of the Authority relating to the transactions contemplated hereunder; and

(17) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or Bond Counsel may reasonably deem necessary to evidence the due issuance of the 2014 Bonds, the truth and accuracy as of the time of the Closing of the Authority's representations, warranties and agreements contained in Paragraph 6 hereof and the due performance or satisfaction by the Authority at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the Participants pursuant to the Transaction Documents.

(d) The opinions and certificates and other material referred to above shall be in form and substance satisfactory to the undersigned and to Orrick, Herrington & Sutcliffe LLP, counsel to the Underwriter.

9. **Termination.** The Underwriter shall have the right to terminate their obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the 2014 Bonds by notifying the Authority of its election to do so if, after the execution hereof and prior to the Closing: (a) the marketability of the 2014 Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by (i) an amendment to the Constitution of the United States, (ii) any legislation (A) enacted by the United States, (B) recommended to the Congress or otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority Participant 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 (C) presented as an option for consideration by either such Committee, by the staff of such Committee or by the staff of the Joint Committee on Taxation of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House or by a Conference Committee of both Houses to which such legislation has been referred for consideration, or (iii) any decision of any court of the United States or by any ruling or regulation (final, temporary or proposed) on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other authority of the United States or any comparable legislative, judicial or administrative development affecting the Federal tax status of the Authority or the Participants, their respective property or income, or the interest on their respective obligations; (b) there shall have occurred the outbreak or escalation of hostilities involving the United States, or the declaration by the United States of a national emergency or war, which in the judgment of the Underwriter have had a materially adverse effect on the marketability of the 2014 Bonds on the terms and in the manner contemplated by the Official Statement; (c) there shall have occurred the declaration of a general banking moratorium by any authority of the United States, the State of California or the State of New York; (d) there shall have been any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading, suspension or withdrawal of any rating by Moody's or S&P of any securities issued by or obligations of the Authority, including the 2014 Bonds, or (e) an event described in subparagraph (n) of Paragraph 6 hereof shall have occurred which in the opinion of the Underwriter requires the preparation and publication of a supplement or amendment to the Official Statement, regardless of whether or not such a supplement or amendment to the Official Statement has been prepared and/or circulated, unless the Underwriter shall have otherwise agreed that this Contract of Purchase shall not be terminated as a result of such event.

10. **Expenses.** (a) Unless the Underwriter defaults upon its obligations hereunder, the Authority shall, except as set forth in subsection (b) hereof, pay any expenses incident to the performance of the Authority's obligations hereunder, including but not limited to the following: (i) the cost of the preparation, printing and delivery of the 2014 Bonds; (ii) the fees for Bond ratings; (iii) the cost of printing and distribution of the Transaction Documents and the Official Statement; (iv) the fees and disbursements of Jones Hall, A Professional Law Corporation, Bond Counsel; (v) the fees and disbursements of counsel to the Authority; (vi) the fees and disbursements of the Trustee and its counsel; (vii) the fees and expenses of Public Financial Management, Financial Advisor to the Authority; (viii) the fees and disbursements incurred in connection with the preparation of the Official Statement; (ix) the fees and disbursements of any other engineers, accountants, attorneys, and other experts or consultants or advisors retained by the Authority; (x) the meal, travel, lodging, entertainment and deal memento expenses, if any, of its own officials and employees; and (xi) any other costs and disbursements incurred by the Authority in connection with the transaction.

(b) The Underwriter shall pay (i) the fees and disbursements of Orrick, Herrington & Sutcliffe LLP in connection with the purchase and sale of the 2014 Bonds pursuant hereto other than those items set forth in paragraph (a) above; (ii) the fee payable to the California Debt and Investment Advisory Commission with respect to the sale of the 2014 Bonds; (iii) advertising expenses and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the 2014 Bonds; (iv) fees and expenses related to obtaining CUSIP numbers; (v) the cost of word processing, printing and distribution of this Contract of Purchase; (vi) the cost of preparation of any Blue Sky and legal investment memorandum with respect to the 2014 Bonds; and (vii) expenses to qualify the 2014 Bonds for sale under any Blue Sky laws.

11. **Indemnification.** If and to the extent permitted by law, the Authority agrees to indemnify the Underwriter (or any person who controls the Underwriter within the meaning of the Securities Act of 1933, as amended) and hold the Underwriter harmless against any loss, damage, claim, liability or expense (including reasonable cost of defense) arising out of or based upon any allegation that any of the information contained in the Official Statement includes any untrue statement of a material fact or omits to state any material fact necessary in

order to make statements therein in the light of the circumstances under which they were made not misleading, and will reimburse the Underwriter for any legal or other expenses reasonably incurred by the Underwriter in investigating, defending or preparing to defend any such action or claim. The indemnity agreement in this paragraph shall be in addition to any liability which the Authority may otherwise have to the Underwriter and shall extend upon the same terms and conditions to the officers, directors, agents or employees of the Underwriter and to each person, if any, who controls the Underwriter within the meaning of the Securities Act of 1933, as amended. Promptly after receipt by the Underwriter of notice of the commencement of any action, the Underwriter shall, if a claim in respect thereof is to be made against the Authority under this paragraph, notify the Authority in writing of the commencement thereof; but the omission so to notify the Authority shall not relieve the Authority from any liability which it may have to the Underwriter otherwise than under this paragraph. In case any such action shall be brought against the Underwriter and the Underwriter shall notify the Authority of the commencement thereof, the Authority shall be entitled to participate therein and, to the extent that it wishes, to assume the defense thereof, with counsel reasonably satisfactory to the Underwriter and after notice from the Authority to the Underwriter of its election so to assume the defense thereof, the Authority shall not be liable to the Underwriter under this paragraph for any legal or other expenses subsequently incurred by the Underwriter in connection with the defense thereof other than reasonable out-of-pocket costs of any investigation; provided, however, that if the named parties to any such action (including any impleaded parties) include both the Underwriter (or its officers, directors, agents or employees or any person so controlling any of the Underwriter) and the Authority, and the Underwriter (or such officers, directors, agents or employees or any person so controlling the Underwriter) shall have reasonably concluded that there may be one or more legal defenses available to it which are different from or additional to those available to the Authority, the Underwriter (or such officers, directors, agents or employees or such person so controlling the Underwriter) shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of the Underwriter (or such officers, directors, agent, or employees or such person so controlling the Underwriter), and in such event the said fees and expenses of the Underwriter in defending such action shall be borne by the Authority.

12. **Notices.** Any notice or other communication to be given to the Authority under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) may be given by giving the same orally (if permitted hereby) or in writing to 2005 Hill Top Circle, Roseville, California 95747, Attention: Treasurer; and any notice or other communication to be given to the Underwriter under this Contract of Purchase may be given by delivering the same in writing to Morgan Stanley & Co. LLC. The approval of the Underwriter when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to the Authority.

13. **Governing Law.** The validity, interpretation and performance of this Contract of Purchase shall be governed by the laws of the State of California.

14. **Parties in Interest.** This Contract of Purchase when executed by the Authority and the Underwriter shall constitute the entire agreement between the Authority and the Underwriter and is made solely for the benefit of the Authority, the Participants and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the Authority contained in this Contract of Purchase shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriter and (b) delivery of and payment for the 2014 Bonds hereunder.

15. **Effective Date.** This Contract of Purchase shall be effective upon the execution hereof by the Underwriter and the Authority.

16. **Determination of End of the Underwriting Period.** For purposes of this Contract of Purchase, the End of the Underwriting Period for the 2014 Bonds shall mean the earlier of (a) the day of the Closing unless the Authority has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the 2014 Bonds for all purposes of the Rule will not occur on the day of the Closing, or (b) the date on which notice is given to the Authority by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the Authority pursuant to clause (a) above that the "end of the underwriting period" for the 2014 Bonds will not occur on the day of the Closing, the Underwriter agrees to notify

the Authority in writing as soon as practicable following the “end of the underwriting period” for the 2014 Bonds for all purposes of the Rule.

17. **Headings.** The headings of the paragraphs of this Contract of Purchase are inserted for convenience only and shall not be deemed to be a part hereof.

Very truly yours,

MORGAN STANLEY & CO. LLC

By: \_\_\_\_\_  
Name: John L. Sheldon  
Title: Managing Director

Agreed and Accepted:

SOUTH PLACER WASTEWATER AUTHORITY

By: \_\_\_\_\_  
Name: Jay Panzica  
Title: Treasurer

APPENDIX A

**\$(Principal Amount)**  
**SOUTH PLACER WASTEWATER AUTHORITY**  
**WASTEWATER REVENUE REFUNDING BONDS, SERIES 2014 (SIFMA INDEX BONDS)**

<u>Maturity</u> <u>(November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u> <u>(Variable)</u>
20__	\$(Principal Amount]	SIFMA Rate plus __%