

**NEW ISSUE — BOOK-ENTRY ONLY**

See “**RATINGS**” herein.

*In the opinion of Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the Issuer, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2010 Bonds is exempt from State of California personal income taxes. Co-Bond Counsel observe that interest on the Series 2010 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010 Bonds. See “TAX MATTERS.”*

**\$436,955,000**

**IRVINE RANCH WATER DISTRICT JOINT POWERS AGENCY  
Taxable Refunding Bonds, Issue 2, Series 2010**

**Dated: Date of Delivery**

**Due: As shown on the inside cover**

The Irvine Ranch Water District Joint Powers Agency Taxable Refunding Bonds, Issue 2, Series 2010 (the “Series 2010 Bonds”) are special, limited obligations of the Irvine Ranch Water District Joint Powers Agency (the “Issuer”) issued under an Indenture of Trust, dated as of November 22, 1996, as supplemented by the First Supplemental Indenture of Trust (the “First Supplemental Indenture”), dated as of April 1, 2010 (as so supplemented, the “Indenture”), between the Issuer and The Bank of New York Mellon (formerly named The Bank of New York), as trustee (the “Trustee”). The Issuer has previously issued pursuant to the Indenture \$481,625,000 aggregate principal amount of its Irvine Ranch Water District Joint Powers Agency Taxable Refunding Bonds, Issue 2 (the “Issue 2 Bonds” and, collectively with the Series 2010 Bonds, the “Bonds”), of which \$394,085,000 aggregate principal amount of the Issue 2 Bonds remained outstanding as of April 1, 2010. The Series 2010 Bonds are being issued to (i) refund a portion of the outstanding Issue 2 Bonds, (ii) provide funds for deposit into a capitalized interest account and (iii) pay the costs of issuance of the Series 2010 Bonds. See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS” herein.

The Bonds (including the Series 2010 Bonds) are payable solely from the Trust Estate, including primarily the Program Fund established under the Indenture. The Program Fund currently consists solely of the Notes (as defined below), and income and proceeds derived therefrom. The Notes are 8.18% Sinking Fund Medium-Term Notes due February 15, 2014 (the “Notes”) issued by

**Federal National Mortgage Association**

The Indenture limits the ability of the Issuer to sell, liquidate or otherwise dispose of (or withdraw or redeem any principal amount of) the Notes. See “SECURITY FOR THE BONDS - Special, Limited Obligations” and “- The Notes” herein.

The Notes, together with interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the Federal National Mortgage Association (“Fannie Mae”). The payments of principal of and interest on the Bonds are not guaranteed by Fannie Mae and no assurances can be made that Fannie Mae will make payments on the Notes as and when due. Fannie Mae did not assist with the preparation of this Official Statement and does not assume any responsibility for the information contained herein. See “SECURITY FOR THE BONDS - The Notes” and APPENDIX A - “FEDERAL NATIONAL MORTGAGE ASSOCIATION.”

**The Bonds are special, limited obligations of the Issuer, payable solely from, and secured by a pledge of the Trust Estate, subject to the application of the Trust Estate on the terms and conditions set forth in the Indenture. The Series 2010 Bonds and all other Bonds issued pursuant to the Indenture are entitled to the equal benefit, protection and security of the pledge and covenants and agreements of the Indenture, as hereinafter described. For information on additional indebtedness of the Issuer, see “Security for the Bonds - Indebtedness of the Issuer” herein.**

**The Bonds shall not constitute a charge against the general credit of the Issuer or its members, including the Irvine Ranch Water District (the “District”). Under no circumstances shall the Issuer be obligated to pay principal of or interest on the Bonds except from the Trust Estate. Neither the State of California nor any public agency (other than the Issuer) nor any member of the Issuer, including the District, is obligated to pay the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of the Issuer, including the District, is pledged to the payment of the principal of or interest on the Bonds. The Issuer has no taxing power. Neither the principal of nor interest on the Bonds constitutes a debt, liability or obligation of the State of California or any public agency (other than the special, limited obligation of the Issuer) or any member of the Issuer, including the District.**

The Series 2010 Bonds will be dated as of the date of initial delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. The Series 2010 Bonds will be issuable in fully registered form and, when issued, will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Ownership interests in the Series 2010 Bonds will be in denominations of \$5,000 or integral multiples thereof and will be in book-entry form only. Purchasers of the Series 2010 Bonds will not receive certificates representing their beneficial ownership in the Series 2010 Bonds purchased. See “THE SERIES 2010 BONDS - Book-Entry-Only System” herein. The Series 2010 Bonds will bear interest from the date of initial delivery, at the interest rates set forth on the inside cover page hereof, payable on March 15 and September 15 in each year, commencing September 15, 2010 (each an “Interest Payment Date”). Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

**The Series 2010 Bonds are not subject to redemption prior to their respective maturities.**

This cover page contains certain information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Official Statement to obtain information in order to make an informed investment decision. Capitalized terms used on this cover page not otherwise defined will have the meanings set forth herein.

*The Series 2010 Bonds are offered by the Underwriter when, as and if issued by the Issuer and accepted by the Underwriter subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, and Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Co-Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Issuer by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, as general counsel to the Issuer, and for the Underwriter by O’Melveny & Myers LLP. It is expected that the Series 2010 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about April 20, 2010.*

**BofA Merrill Lynch**

Dated: April 8, 2010

## MATURITY SCHEDULE

**IRVINE RANCH WATER DISTRICT  
JOINT POWERS AGENCY  
Taxable Refunding Bonds, Issue 2, Series 2010**

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP<sup>†</sup></u>
03/15/2011	\$ 9,755,000	0.904%	100%	463655GQ7
09/15/2011	9,805,000	1.234	100	463655GR5
03/15/2012	9,965,000	1.534	100	463655GS3
09/15/2012	24,130,000	1.784	100	463655GT1
03/15/2013	9,675,000	2.135	100	463655GU8
09/15/2013	25,030,000	2.385	100	463655GV6
03/15/2014	348,595,000	2.605	100	463655GW4

---

<sup>†</sup> Copyright 2010 American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. Neither the Issuer nor the Underwriter assume any responsibility for the accuracy of such numbers.

Summaries of certain provisions of the Series 2010 Bonds, the Indenture relating to the Series 2010 Bonds and the Continuing Disclosure Agreement contained herein do not purport to be complete descriptions of the provisions thereof, and such summaries are qualified by reference to the Series 2010 Bonds, the Indenture and the Continuing Disclosure Agreement for full particulars of the Series 2010 Bonds, the Indenture and the Continuing Disclosure Agreement, respectively. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or Fannie Mae since the date hereof. Preparation of this Official Statement and its distribution have been duly authorized and approved by the Issuer.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of Series 2010 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer.

This Official Statement contains statements which, to the extent they are not recitations of historical facts, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

The references to internet websites shown in this Official Statement are shown for reference and convenience only; the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

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

In connection with the offering of the Series 2010 Bonds, the Underwriter may over-allot or effect transactions that stabilize or maintain the market prices of the Series 2010 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2010 Bonds to dealers, institutional investors and others at prices lower than the public offering prices stated on the inside cover page and such public offering prices may be changed from time to time by the Underwriter.

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

## TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
THE ISSUER .....	2
General .....	2
Administration .....	2
PLAN OF REFUNDING .....	3
THE SERIES 2010 BONDS .....	3
General Provisions .....	3
No Redemption .....	3
Book-Entry-Only System .....	3
SECURITY FOR THE BONDS .....	6
Special, Limited Obligations of the Issuer .....	6
General Fund .....	7
No Reserve Account .....	7
Indebtedness of the Issuer .....	8
The Notes .....	8
Special Considerations .....	9
SOURCES AND USES OF FUNDS .....	10
PROJECTED DEBT SERVICE COVERAGE .....	11
TAX MATTERS .....	11
CONTINUING DISCLOSURE INFORMATION .....	15
VERIFICATION OF MATHEMATICAL ACCURACY .....	15
RATINGS .....	16
CERTAIN LEGAL MATTERS .....	16
LITIGATION .....	16
UNDERWRITING .....	17
CERTAIN RELATIONSHIPS .....	17
MISCELLANEOUS .....	18

**TABLE OF CONTENTS**  
(continued)

**Page**

FEDERAL NATIONAL MORTGAGE ASSOCIATION.....	APPENDIX A
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE .....	APPENDIX B
FORM OF OPINIONS OF CO-BOND COUNSEL.....	APPENDIX C
FORM OF CONTINUING DISCLOSURE AGREEMENT.....	APPENDIX D

## **OFFICIAL STATEMENT**

**\$436,955,000**

### **IRVINE RANCH WATER DISTRICT JOINT POWERS AGENCY**

**Taxable Refunding Bonds, Issue 2, Series 2010**

## **INTRODUCTION**

This Official Statement, which includes the cover page and appendices hereto, relates to the sale and delivery by the Irvine Ranch Water District Joint Powers Agency (the “Issuer”) of \$436,955,000 aggregate principal amount of its Taxable Refunding Bonds, Issue 2, Series 2010 (the “Series 2010 Bonds”). The Series 2010 Bonds are being issued pursuant to the Constitution and laws of the State of California (the “State”), and particularly the statutory provisions relating to the joint exercise of powers contained in Chapter 5, Division 7, Title 1 of the Government Code of the State (the “Joint Powers Act”), and the statutory provisions relating to the issuance of refunding bonds contained in Chapter 3, Part 1, Division 2, Title 5 of the Government Code of the State (the “Refunding Act”), and an Indenture of Trust, dated as of November 22, 1996, as supplemented by the First Supplemental Indenture of Trust (the “First Supplemental Indenture”), dated as of April 1, 2010 (as so supplemented, the “Indenture”), between the Issuer and The Bank of New York Mellon (formerly named The Bank of New York), as trustee (the “Trustee”), to refund certain outstanding bonds of the Issuer.

The Issuer has previously issued pursuant to the Indenture \$481,625,000 aggregate principal amount of its Irvine Ranch Water District Joint Powers Agency Taxable Refunding Bonds, Issue 2 (the “Issue 2 Bonds” and, collectively with the Series 2010 Bonds, the “Bonds”), of which \$394,085,000 aggregate principal amount of the Issue 2 Bonds remained outstanding as of April 1, 2010. The Series 2010 Bonds are being issued to (i) refund a portion of the outstanding Issue 2 Bonds, (ii) provide funds for deposit into a capitalized interest account and (iii) pay the costs of issuance of the Series 2010 Bonds. Proceeds received from the sale of the Series 2010 Bonds are to be deposited in an escrow fund as provided in the Escrow Deposit Agreement (as defined herein). See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS” herein.

The Bonds (including the Series 2010 Bonds) are payable solely from the Trust Estate, including primarily the Program Fund established pursuant to the Indenture, subject to the application of the Trust Estate on the terms and conditions set forth in the Indenture. The Program Fund currently consists solely of the 8.18% Sinking Fund Medium-Term Notes due February 15, 2014 (the “Notes”) issued by the Federal National Mortgage Association (“Fannie Mae”), and income and proceeds derived therefrom. The Indenture limits the ability of the Issuer to sell, liquidate or otherwise dispose of (or withdraw or redeem any principal amount of) the Notes. See “SECURITY FOR THE BONDS – Special, Limited Obligations” and “– The Notes” herein. For information regarding Fannie Mae, see APPENDIX A – “FEDERAL NATIONAL MORTGAGE ASSOCIATION” hereto.

Definitions of certain terms used in this Official Statement are set forth in Appendix B hereto. See “APPENDIX B – SUMMARY OF THE INDENTURE - Definitions” herein. This Official Statement contains brief descriptions of, among other things, the Issuer, the Series 2010 Bonds, the Indenture and the Notes. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Series 2010 Bonds are qualified in their entirety by reference to the form of Series 2010 Bond included in the Indenture. Prior to the delivery of the Series 2010 Bonds by the Issuer, copies of the forms of the Indenture, the Notes and other documents described in this Official Statement may be obtained from the Issuer. Copies of these documents may be obtained from the Trustee or the Issuer after delivery of the Series 2010 Bonds.

## **THE ISSUER**

### **General**

The Issuer is a joint exercise of powers agency of the State of California organized and existing under and by virtue of the Joint Powers Act. The Issuer was created pursuant to a Joint Powers Agreement, dated as of December 22, 1986, and amended as of January 1, 1988 (the “Joint Powers Agreement”), between the Irvine Ranch Water District (the “District”) and Community Facilities District No. 1 of the Irvine Ranch Water District (the “CFD”), which agreement remains in effect until December 31, 2011, or until such time as it is terminated in writing by the parties; however, the Joint Powers Agreement provides that it shall not terminate or be terminated until the date on which all bonds or other indebtedness issued or caused to be issued by the Issuer have been retired, or full provision made for their retirement, including interest until their retirement date.

Pursuant to the Joint Powers Act and the Refunding Act, the Issuer is authorized to issue its revenue refunding bonds, including the Series 2010 Bonds, to provide sufficient funds for its purposes, including the refunding of bonds of the Issuer.

Neither the District nor the CFD has any obligation as to any debt or liability of the Issuer respecting the Series 2010 Bonds. See “SECURITY FOR THE BONDS – Special, Limited Obligations of the Issuer.”

### **Administration**

Pursuant to the Joint Powers Agreement, the Issuer is governed by a Commission consisting of up to ten members. The District and the CFD each appoint five members of the Commission. The Commission elects a Chairman and Vice Chairman of the Issuer from among its members. The District and the CFD have each appointed the same five members of the District Board of Directors to the Commission; consequently, as of the date of this Official Statement, the Commission consists of only five members. The Treasurer of the District is designated by the Joint Powers Agreement as Treasurer and Controller of the Issuer.

## **PLAN OF REFUNDING**

A portion of the proceeds of the Series 2010 Bonds will be used to refund the Issue 2 Bonds maturing (i) on September 15, 2010 and (ii) on and after March 15, 2012, in an aggregate outstanding principal amount of \$380,870,000 (such refunded Issue 2 Bonds are herein referred to as the “Refunded Bonds”). Such proceeds will be deposited in an escrow fund (the “Escrow Fund”) pursuant to the Escrow Deposit Agreement, dated as of April 1, 2010 (the “Escrow Deposit Agreement”), between the Issuer and the Trustee, in order to provide moneys sufficient to pay (i) the principal of and interest on the Refunded Bonds maturing on or prior to September 15, 2011, as and when such principal and interest becomes due, (ii) the redemption price of the Refunded Bonds maturing after September 15, 2011 on the redemption date of September 15, 2011, and (iii) the interest on the Refunded Bonds maturing after September 15, 2011, as and when such interest becomes due prior to the redemption date. The Escrow Deposit Agreement will require the Trustee to invest the proceeds relating to the redemption of the Refunded Bonds in certain direct obligations of, or obligations guaranteed by, the United States of America (the “Escrowed Government Obligations”). The mathematical accuracy of the schedules showing the adequacy of the amounts to be available from the Escrowed Government Securities and the other amounts in the Escrow Fund to pay when due the principal and redemption price of, and interest on, the Refunded Bonds will be verified by Causey Demgen & Moore Inc. See “VERIFICATION OF MATHEMATICAL ACCURACY.”

## **THE SERIES 2010 BONDS**

### **General Provisions**

The Series 2010 Bonds will be dated as the date of initial delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. The Series 2010 Bonds will be issued in fully registered form without coupons and when issued will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Ownership interests in the Series 2010 Bonds will be in denominations of \$5,000 or integral multiples thereof and will be in book-entry form as described below. See “THE SERIES 2010 BONDS – Book-Entry-Only System” herein.

The Series 2010 Bonds will mature on the dates and in the principal amounts, and will bear interest from the date of initial delivery at the interest rates, set forth on the inside cover page hereof. Interest on the Series 2010 Bonds will be payable on March 15 and September 15 in each year, commencing September 15, 2010 (each an “Interest Payment Date”). Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

### **No Redemption**

The Series 2010 Bonds are not subject to redemption prior to their stated maturity dates.

### **Book-Entry-Only System**

The information under this heading has been furnished by The Depository Trust Company (“DTC”), New York, New York. Neither the Issuer nor the Underwriter make any

representations, warranties or guarantees with respect to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered maturity Series 2010 Bond certificate will be issued for each maturity of the Series 2010 Bonds, in the principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holds on behalf of their customers.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor the Underwriter takes responsibility for the accuracy thereof.

NONE OF THE ISSUER, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS OR PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2010 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED BONDHOLDERS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

## **SECURITY FOR THE BONDS**

### **Special, Limited Obligations of the Issuer**

The Bonds are special, limited obligations of the Issuer, payable solely from and secured by a pledge of the Trust Estate in accordance with the Indenture, subject to the application of the Trust Estate on the terms and conditions set forth in the Indenture. The Series 2010 Bonds and all other Bonds issued pursuant to the Indenture are entitled to the equal benefit, protection and security of the pledge and covenants and agreements of the Indenture, as described herein.

The Trust Estate includes primarily the Program Fund established under the Indenture. The Program Fund currently consists solely of the Notes, and income and proceeds derived therefrom. The Notes were deposited in the Program Fund in connection with the issuance of the Issue 2 Bonds. For a description of the Notes, see "The Notes" below. For information regarding Fannie Mae, the issuer of the Notes, see APPENDIX A – "FEDERAL NATIONAL MORTGAGE ASSOCIATION" hereto. As of the date of this Official Statement, no other investments have been deposited in the Program Fund.

The Indenture limits the ability of the Issuer to sell, liquidate or otherwise dispose of (or withdraw or redeem any principal amount of) the Notes, except in accordance with scheduled principal or sinking fund payments thereunder unless a Cashflow Certificate (as defined below) reflecting any such proposed sale, liquidation, disposition, withdrawal or redemption has been delivered to the Trustee. The Issuer shall not consent or agree to or permit any transfer, disposition, liquidation or replacement of any investment in the Program Fund, or acquire a new investment for the Program Fund, unless (i) a Cashflow Certificate reflecting the investments remaining in the Program Fund after such action is delivered to the Trustee, and (ii) written notice from each Rating Agency confirming that the ratings on the Bonds (including the Series 2010 Bonds) will not be lowered or withdrawn from the then current rating as a result of such action is delivered to the Trustee. The Issuer shall not request withdrawals from investments in the Program Fund except as described in the Cashflow Certificate delivered in connection with such investment. A Cashflow Certificate is defined under the Indenture as a

report of an independent certified public accountant to the effect that the principal of and interest on the investments in the Program Fund will be payable at such times and in such amounts as will be sufficient to pay when due the principal of and interest on the outstanding Bonds. The Issuer has agreed under the Indenture that each such independent certified public accountant must be acceptable to Moody's Investors Service ("Moody's"), so long as Moody's is providing a rating on the Bonds. For information regarding the Cashflow Certificate to be provided in connection with the issuance of the Series 2010 Bonds, see "VERIFICATION OF MATHEMATICAL ACCURACY" herein. For information on projected debt service coverage, see "PROJECTED DEBT SERVICE COVERAGE" herein.

Under the Indenture, moneys in the Program Fund may only be invested in the Notes or, upon delivery to the Trustee of a Cashflow Certificate reflecting the proposed investment, in Government Obligations. Government Obligations are defined under the Indenture as direct noncallable obligations of the United States of America or noncallable and nonprepayable obligations the timely payment of the principal and interest on which are fully guaranteed by the United States of America.

**The Bonds, including the Series 2010 Bonds, shall not constitute a charge against the general credit of the Issuer or its members, including the District. Under no circumstances shall the Issuer be obligated to pay principal of or interest on the Bonds except from the Trust Estate, as defined in the Indenture. Neither the State of California nor any public agency (other than the Issuer) nor any member of the Issuer, including the District, is obligated to pay the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of the Issuer, including the District, is pledged to the payment of the principal of or interest on the Bonds. The Issuer has no taxing power. Neither the principal of nor interest on the Bonds constitutes a debt, liability or obligation of the State of California or any public agency (other than the special, limited obligation of the Issuer) or any member of the Issuer, including the District.**

### **General Fund**

All interest, profits or other income derived from the investment of amounts in the Program Fund and all scheduled withdrawals of principal with respect to the Notes and any maturing principal of Government Obligations which are on deposit in the Program Fund, to the extent in excess of the amounts necessary to pay the principal of and interest on the Bonds due on the next succeeding Interest Payment Date as reflected in a Cashflow Certificate (as described under "Special, Limited Obligations of the Issuer" above) delivered to the Trustee, shall be transferred to the General Fund established under the Indenture. Moneys in the General Fund may be withdrawn by the Issuer and used by the Issuer for any lawful purpose, including making payments to any member of the Issuer.

### **No Reserve Account**

There is no debt service reserve account established under the Indenture.

## Indebtedness of the Issuer

**Parity Indebtedness.** Upon issuance of the Series 2010 Bonds and application of a portion of the proceeds thereof to refund the Refunded Bonds, \$13,215,000 aggregate principal amount of the Issue 2 Bonds will remain outstanding. Such outstanding Issue 2 Bonds are secured by the Trust Estate on a parity basis with the Series 2010 Bonds. See “SECURITY FOR THE BONDS – The Notes.” For information regarding debt service requirements of the Bonds, see “PROJECTED DEBT SERVICE COVERAGE” herein. Additional Bonds may be issued pursuant to the Indenture only for the purpose of refunding any Bonds outstanding under the Indenture. The issuance of such additional Bonds will be subject to the satisfaction of certain conditions in the Indenture. See APPENDIX B – “SUMMARY OF THE INDENTURE” attached hereto.

**Other Indebtedness.** At the time of issuance of the Series 2010 Bonds, the Issuer will also have outstanding \$274,080,000 aggregate principal amount of its Irvine Ranch Water District Joint Powers Agency Taxable Refunding Bonds, Issue 1 (the “Issue 1 Bonds”). The Issue 1 Bonds are not secured by or payable from the Trust Estate established by the Indenture.

## The Notes

The 8.18% Sinking Fund Medium-Term Notes due February 15, 2014 (the “Notes”) issued by Federal National Mortgage Association (“Fannie Mae”), in the principal amount outstanding of \$406,272,834 as of April 1, 2010, are held in the Program Fund by the Trustee for the benefit of the Bond Owners. The CUSIP<sup>†</sup> number used to identify the Notes is 31364A 4J8. The Notes are general unsecured obligations of the Federal National Mortgage Association (“Fannie Mae”). The cashflow to be produced by the Notes will be greater than or equal to the amount required to pay when due the principal of and interest on the Bonds, including the Series 2010 Bonds, but not including the Refunded Bonds (which will be separately secured by and payable from the Escrow Fund). See “VERIFICATION OF MATHEMATICAL ACCURACY” and “PROJECTED DEBT SERVICE COVERAGE” herein. **THE NOTES, TOGETHER WITH INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES AND DO NOT CONSTITUTE A DEBT OR OBLIGATION OF THE UNITED STATES OR OF ANY AGENCY OR INSTRUMENTALITY THEREOF OTHER THAN FANNIE MAE.** No assurances can be made that Fannie Mae will make payments on the Notes as and when due. For additional information with respect to Fannie Mae, see APPENDIX A - “FEDERAL NATIONAL MORTGAGE ASSOCIATION.”

Pursuant to the terms of the Notes, Fannie Mae is required to pay interest on the Notes at the rate of 8.18% per annum semiannually in arrears on February 15 and August 15 of each year ending on February 15, 2014, the final principal payment date. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. On each August 15 and February 15 prior to the final principal payment date, Fannie Mae will redeem, as a

---

<sup>†</sup> Copyright 2010 American Bankers Association. CUSIP data herein is provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. Neither the Issuer nor the Underwriter assume any responsibility for the accuracy of such numbers.

mandatory sinking fund redemption, a *pro rata* portion of the then outstanding principal amount of each Note. The Trustee, as holder of the Notes, may, at its election and subject to the terms of the Indenture, require Fannie Mae to redeem the Notes, in whole or in part, at par on the 15th calendar day of each calendar month commencing February 15, 2013 and ending on January 15, 2014 (each an “Optional Redemption Date”). If the aggregate outstanding principal amount of the Notes immediately after any Optional Redemption Date would be less than \$25,520,500 (five percent of the original aggregate principal amount of the Notes), Fannie Mae will redeem the entire remaining principal amount of the Notes on such Optional Redemption Date. Under the Indenture, the Trustee is not to direct any principal amount of the Notes to be redeemed except in accordance with scheduled principal or sinking fund payments thereunder unless a Cashflow Certificate reflecting such proposed redemption has been delivered to the Trustee. See “Special, Limited Obligations of the Issuer” above. Given that the Trustee is the sole holder of the Notes and therefore is responsible for determining whether to redeem Notes on any Optional Redemption Date, the Issuer does not believe that such mandatory redemption of the remaining Notes by Fannie Mae will occur so long as the Notes are held as investments in the Program Fund pursuant to the Indenture.

Fannie Mae may modify, amend or supplement the terms of the Notes without the consent of the Trustee, as the holder of the Notes, (i) for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provisions contained in the terms of the Notes, or (ii) in any manner that Fannie Mae may determine in good faith that will not adversely affect in any material respect the interests of the Trustee, as holder of the Notes.

With the written consent of the Trustee, as holder of the Notes, Fannie Mae may from time to time and at any time modify, amend or supplement the terms of the Notes for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of the Notes or of modifying in any manner the rights of the Trustee, as holder of the Notes. Pursuant to the Indenture, the Trustee may consent to a modification of the terms of the Notes with the written consent of the Owners of not less than majority in aggregate principal amount of the then outstanding Bonds; provided, however, that no such modification shall (1) extend the fixed maturity of the Notes or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Owner of each affected Bond or (2) reduce the aforesaid percentage of Owners of Bonds whose consent is required for such modification of the terms of the Notes without the consent of the Owners of all then outstanding Bonds.

### **Special Considerations**

There can be no assurances that any rating respecting the Notes (or any Government Obligation subsequently purchased in lieu of the Notes) at the time of issuance or acquisition, respectively, will be retained for any given period of time or that the rating will not be revised or withdrawn entirely by a Rating Agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained with respect to the Notes or any such Government Obligation may have an adverse effect on the ratings of the Series 2010 Bonds and on the market price of the Series 2010 Bonds. See “RATINGS” herein. For information regarding Fannie Mae, the issuer of the Notes, see APPENDIX A - “FEDERAL NATIONAL MORTGAGE ASSOCIATION.” Adverse changes in the financial conditions of

Fannie Mae, among other things, could materially adversely affect the rating of the Notes. The Issuer has no obligation to replace the Notes or any such Government Obligation upon a downward revision or withdrawal of any rating thereof.

### SOURCES AND USES OF FUNDS

The Series 2010 Bonds are being issued to provide funds to refund the Refunded Bonds. See “PLAN OF REFUNDING” herein. The table below sets forth the estimated sources and uses of funds for the Series 2010 Bonds:

Sources of Funds	
Principal Amount of the Series 2010 Bonds	\$436,955,000.00
Total Sources	\$436,955,000.00
Uses of Funds	
Deposit to 2010 Escrow Fund <sup>(1)</sup>	\$423,014,341.78
Deposit to Capitalized Interest Account <sup>(2)</sup>	11,276,016.32
Costs of Issuance <sup>(3)</sup>	2,664,641.90
Total Uses	\$436,955,000.00

<sup>(1)</sup> See “PLAN OF REFUNDING.”

<sup>(2)</sup> Will cover all of the interest payments coming due through March 15, 2011 and a portion of the interest payment coming due on September 15, 2011 required to be made by the Issuer with respect to the Series 2010 Bonds.

<sup>(3)</sup> Includes underwriter’s discount, legal and rating agency fees, Trustee fees, Verification Agent fees, printing costs and other miscellaneous fees and expenses.

[Remainder of Page Intentionally Left Blank]

## PROJECTED DEBT SERVICE COVERAGE

The following table sets forth the debt service requirements for the Bonds and the projected payments required to be made by Fannie Mae with respect to the Notes.

Maturity	Unrefunded Issue 2 Debt Service	Series 2010 Bonds Debt Service	Total Parity Debt Service	Projected Program Fund Investments <sup>(1)</sup>	Projected Debt Service Coverage <sup>(1)</sup>
09/15/2010	\$ 540,493.50	\$ 4,300,437.27	\$ 4,840,930.77	\$ 29,111,957.17	6.01
03/15/2011	640,493.50	15,093,473.85	15,733,967.35	16,210,794.71	1.03
09/15/2011	13,651,403.50	15,099,381.25	28,750,784.75	29,620,879.50	1.03
03/15/2012		15,198,884.40	15,198,884.40	15,657,616.04	1.03
09/15/2012		29,287,452.85	29,287,452.85	30,172,673.55	1.03
03/15/2013		14,617,213.25	14,617,213.25	15,058,954.18	1.03
09/15/2013		29,868,932.63	29,868,932.63	30,768,916.57	1.03
03/15/2014		353,135,449.88	353,135,449.88	363,765,946.92	1.03
Total	\$ 14,832,390.50	\$476,601,225.38	\$491,433,615.88	\$530,367,738.64	

<sup>(1)</sup> The Program Fund currently consists solely of the Notes, and income and proceeds derived therefrom. The amounts in this column reflect the projected payments required to be made by Fannie Mae with respect to the Notes. The Notes obligate Fannie Mae to make payments with respect to the Notes on February 15 and August 15 of each year through February 15, 2014. See “SECURITY FOR THE BONDS - The Notes” herein and APPENDIX A - “FEDERAL NATIONAL MORTGAGE ASSOCIATION” attached hereto. Excess revenues derived from the Notes and any other investments in the Program Fund are transferred to the General Fund after debt service is paid on the Bonds on each Interest Payment Date. See “SECURITY FOR THE BONDS - General Fund” herein.

## TAX MATTERS

The following discussion summarizes certain United States federal tax considerations generally applicable to holders of the Series 2010 Bonds that acquire their Series 2010 Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the United States Internal Revenue Service (the “IRS”) with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all United States federal income tax consequences applicable to any given investor, nor does it address the United States federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute United States Holders), such as certain United States expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2010 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the United States dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Series 2010 Bonds pursuant to this offering for the issue price that is applicable to such Series 2010 Bonds (*i.e.*, the price at which a substantial amount of the Series 2010 Bonds are sold to the

public) and who will hold their Series 2010 Bonds as “capital assets” within the meaning of Section 1221 of the United States Internal Revenue Code of 1986, as amended (the “Code”).

As used herein, “U.S. Holder” means a beneficial owner of a Series 2010 Bond that for United States federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under United States Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series 2010 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2010 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2010 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2010 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

#### **For U.S. Holders**

In the opinion of Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel (“Co-Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the Series 2010 Bonds is exempt from State of California personal income taxes. Co-Bond Counsel observe that interest on the Series 2010 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series 2010 Bonds.

The Series 2010 Bonds are not expected to be treated as issued with original issue discount (“OID”) for United States federal income tax purposes because the stated redemption price at maturity of the Series 2010 Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a *de minimis* amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are United States persons purchasing the Series 2010 Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Series 2010 Bonds.

*Disposition of the Series 2010 Bonds.* Unless a non-recognition provision of the Code applies, the sale, exchange, redemption, defeasance, retirement (including pursuant to an offer by the Issuer) or other disposition of a Series 2010 Bond, will be a taxable event for United States federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2010 Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the

Series 2010 Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the Series 2010 Bond (generally, the purchase price paid by the U.S. Holder for the Series 2010 Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2010 Bonds, the maximum marginal United States federal income tax rate applicable to any such gain will be lower than the maximum marginal United States federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for the Series 2010 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

### **For Non-U.S. Holders**

*Interest.* Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any Series 2010 Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Issuer through stock ownership and (2) a bank which acquires such Series 2010 Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any United States withholding tax provided that the beneficial owner of the Series 2010 Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

*Disposition of the Series 2010 Bonds.* Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer) or other disposition of a Series 2010 Bond generally will not be subject to United States federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer) or other disposition and certain other conditions are met.

*U.S. Federal Estate Tax.* A Series 2010 Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to United States federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series 2010 Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

*Information Reporting and Backup Withholding.* United States information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the Series 2010 Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer) or other disposition of a Series 2010 Bond, to certain non-corporate owners of Series 2010 Bonds that are United States persons. Under current United States Treasury Regulations, payments of principal and interest on any Series 2010 Bonds to a owner that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2010 Bond or a financial institution holding

the Series 2010 Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Series 2010 Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable United States Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable United States Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable United States Treasury Regulations pays the proceeds of the sale of a Series 2010 Bond to the seller of the Series 2010 Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are United States persons (as defined in United States Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Series 2010 Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a United States person. Principal and interest so paid by the United States office of a custodian, nominee or agent, or the payment by the United States office of a broker of the proceeds of a sale of a Series 2010 Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-United States status under penalties of perjury or otherwise establishes an exemption.

## **Circular 230**

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Issuer and its tax advisors are (or may be) required to inform prospective investors that:

- i. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;
- ii. any such advice is written to support the promotion or marketing of the Series 2010 Bonds and the transactions described herein; and
- iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

## **CONTINUING DISCLOSURE INFORMATION**

The Issuer has covenanted for the benefit of the Owners to provide certain financial information (the "Annual Report") not later than 120 days after the end of each fiscal year, commencing with the report for the 2009-2010 fiscal year, and to provide notices of occurrence of certain enumerated events, if material. Each Annual Report and any notices of material events will be filed by the Issuer with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) system. The specific nature of the information to be contained in each Annual Report and in notices of material events is set forth in APPENDIX E - "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule"). For the last five years, the Issuer has complied in all material respects with its filing obligations pursuant to the Rule.

## **VERIFICATION OF MATHEMATICAL ACCURACY**

Upon delivery of the Series 2010 Bonds, Causey Demgen & Moore Inc. (the "Verification Agent") will deliver an attestation report (the "Verification Report") indicating that the Verification Agent has verified the arithmetic accuracy of the schedules prepared by the Underwriter with respect to the mathematical computations of the adequacy of the interest payments and maturing principal of the Escrowed Government Obligations, together with other moneys in the Series 2010 Escrow Fund, to pay when due the payments of principal and interest to redeem or pay at maturity the Refunded Bonds. The Verification Agent will also confirm the mathematical computations of the adequacy of the principal of and interest on the Notes to pay when due the principal of and interest on the Bonds, including the Series 2010 Bonds, but not including the Refunded Bonds. Such confirmation constitutes the Cashflow Certificate with respect to the issuance of the Series 2010 Bonds. See "PLAN OF REFUNDING." For a description of a Cashflow Certificate provided pursuant to the Indenture, see "SECURITY FOR THE BONDS – Special, Limited Obligations of the Issuer." The Verification Report will be based solely upon the assumptions and the information supplied by the Underwriter on behalf of the Issuer. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information upon which the computations are based, and accordingly, will not express an

opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

## **RATINGS**

The Series 2010 Bonds have been assigned ratings of “Aaa” by Moody’s and “AAA” by Standard & Poor’s Ratings Services (“S&P”). Each such rating reflects only the views of the rating agency that has assigned such rating and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: from Moody’s at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 and from S&P at 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Such ratings could be revised downward or withdrawn entirely by a rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Series 2010 Bonds.

## **CERTAIN LEGAL MATTERS**

The validity of the issuance of the Series 2010 Bonds and certain other legal matters under California law are subject to the approving opinion of Co-Bond Counsel. The proposed form of Co-Bond Counsel's legal opinion is attached hereto as Appendix D. Approval of other legal matters will be passed upon for the Issuer by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, as general counsel to the Issuer, and for the Underwriter by O’Melveny & Myers LLP. None of Co-Bond Counsel, the Issuer’s counsel or the Underwriter’s counsel has undertaken any responsibility to Owners of the Series 2010 Bonds for the accuracy, completeness or fairness of this Official Statement.

## **LITIGATION**

There is no action, controversy, suit, proceeding, inquiry or investigation or other proceeding of any kind at law or in equity, before or by any court, public board or body, pending or threatened against or affecting the Issuer or any officer of the Issuer in their official capacity, wherein an unfavorable decision, ruling or finding would adversely affect the creation, organization, existence or powers of the Issuer or the titles of the members of its governing Commission and its officers to their respective offices, or restrain or enjoin the issuance or delivery of the Series 2010 Bonds or the execution and delivery of the First Supplemental Indenture, the Escrow Deposit Agreement or the Continuing Disclosure Agreement (collectively, the “Basic Documents”) or the Series 2010 Bonds, or adversely affect any authority for the execution and delivery of the Basic Documents or the validity or enforceability of the Indenture, the Escrow Deposit Agreement or the Continuing Disclosure Agreement or the resolutions adopted in furtherance of the execution and delivery thereof or question the proceedings taken for the issuance of the Series 2010 Bonds or restrain the power and authority of the Issuer or affect the validity of the Series 2010 Bonds.

## **UNDERWRITING**

The Series 2010 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”) pursuant to a Bond Purchase Agreement between the Issuer and the Underwriter (the “Purchase Agreement”). The Underwriter has agreed to purchase the Series 2010 Bonds from the Issuer at a price of \$434,688,958.10 (being the principal amount of the Series 2010 Bonds, less an underwriter’s discount of \$2,266,041.90).

The Purchase Agreement provides that the Underwriter will purchase not less than all of the Series 2010 Bonds. The Underwriter’s obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel and other conditions.

## **CERTAIN RELATIONSHIPS**

Bank of America Corporation and its subsidiaries, including but not limited to the Underwriter, conduct business and enter into agreements with the District, the Issuer and Fannie Mae. In the normal course of business, Bank of America Corporation and its subsidiaries and each of Fannie Mae, the District and the Issuer may engage in business arrangements separate and apart from the Series 2010 Bonds.

[Remainder of Page Intentionally Left Blank]



## APPENDIX A

### FEDERAL NATIONAL MORTGAGE ASSOCIATION

*The information in this Official Statement has not been provided or reviewed by the Federal National Mortgage Association (“Fannie Mae”), and the information concerning Fannie Mae set forth in this Official Statement has been obtained from publicly available sources. The information concerning Fannie Mae contained in this Official Statement has not been verified independently by the Issuer, the Underwriter or the Trustee. No representation is made herein as to the accuracy of such information or as to the absence of materially adverse changes in such information subsequent to the date hereof.*

Fannie Mae is a federally chartered corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder-owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage-backed securities (“MBS”), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

As publicly reported by Fannie Mae in its 2009 annual report, Fannie Mae experienced significant credit-related expenses and net losses during each quarter of 2009.

Since September 2008, Fannie Mae has been under conservatorship, with the Federal Housing Finance Agency (“FHFA”) acting as conservator. The conservatorship is a statutory process designed to preserve and conserve Fannie Mae’s assets and property and put Fannie Mae in a sound and solvent condition. As conservator, FHFA succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any shareholder, officer or director of Fannie Mae with respect to Fannie Mae and the assets of Fannie Mae. As of the date of this Official Statement, the conservatorship has no specified, publicly-disclosed termination date. There can be no assurance, however, that the conservatorship will accomplish the goals it was designed to achieve. Fannie Mae has publicly disclosed that since its entry into conservatorship, it has entered into agreements with the United States Department of the Treasury that include covenants that significantly restrict its business activities and provide for substantial United States government financial support.

Fannie Mae files annual, quarterly and certain other reports with the Securities and Exchange Commission (the “SEC”). Such reports are available at the SEC’s website at [www.sec.gov](http://www.sec.gov). The reports filed by Fannie Mae with the SEC are also available on Fannie Mae’s website at <http://www.fanniemae.com>. Copies of any report may also be requested from Fannie Mae by calling the Fannie Mae Fixed-Income Securities Helpline at (800) 237-8627 or (202) 752-7115 or by writing to Fannie Mae, Attention: Fixed-Income Securities, 3900 Wisconsin Avenue, NW, Area 2H-3S, Washington, DC 20016. No such report is a part of or incorporated

into this Official Statement. The Issuer, the Underwriter and the Trustee are not responsible for and make no representation concerning information filed by Fannie Mae.

**THE NOTES, TOGETHER WITH INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES AND DO NOT CONSTITUTE A DEBT OR OBLIGATION OF THE UNITED STATES OR OF ANY AGENCY OR INSTRUMENTALITY THEREOF OTHER THAN FANNIE MAE.**

No assurance is made by the Issuer, the Underwriter or the Trustee that Fannie Mae will pay the principal and mandatory sinking fund payments of and interest on the Notes. See “SECURITY FOR THE BONDS - The Notes” in the forepart of this Official Statement.

## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The following is a summary of certain provisions of the Indenture not described elsewhere in this Official Statement. This summary does not purport to be comprehensive, and reference should be made to the Indenture for a full and complete statement of its provisions.*

#### Definitions

The terms set forth below, as used in the Indenture and in the Official Statement, shall have the meanings herein specified.

“Bond Fund” shall mean the Bond Fund established pursuant to the Indenture.

“Bond Register” shall mean the books for the registration and transfer of the ownership of the Bonds maintained by the Trustee pursuant to the Indenture.

“Bonds” shall mean the Issue 2 Refunding Bonds and any Refunding Bonds authorized and secured by the Indenture.

“Business Day” shall mean a day other than (i) a Saturday or Sunday (ii) a day on which commercial banks located in New York, New York or the city or cities in which the Principal Offices of the Trustee is located are authorized or required by law to close (iii) a day on which The New York Stock Exchange is closed and (iv) while the Initial Investment Security remains an investment in the Program Fund, a day on which AIG Matched Funding Corp. is authorized or required by law to close.

“Cashflow Certificate” shall mean a report of an independent certified public accountant acceptable to DCR, so long as DCR is providing a rating on the Bonds, to the effect that the principal of and interest on the investments in the Program Fund will be payable at such times and in such amounts as will be sufficient to pay when due the principal of, premium, if any, and interest on the Outstanding Bonds.

“Certificate of the Issuer” shall mean a certificate signed by a member of the Commission of the Issuer or Treasurer of the Issuer or any other person authorized by resolution of the Commission of the Issuer to sign such certificate on behalf of the Issuer. If and to the extent required by the provisions of the Indenture, each Certificate of the Issuer shall include the statements provided for in the Indenture.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Agreement” shall mean that certain Issue 2 Continuing Disclosure Agreement, dated as of November 22, 1996 between the Issuer and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended.

“Dated Date” shall mean, with respect to the Issue 2 Refunding Bonds, the date of authentication and delivery thereof, and with respect to any Refunding Bond, the date set forth in the Supplemental Indenture authorizing the issuance of such Refunding Bond.

“DCR” shall mean Duff & Phelps Credit Rating Co., its successors and their assigns.

“Dollars” and the sign “\$” shall mean lawful money of the United States of America.

“Event of Default” shall have the meaning given such term in the Indenture.

“First Supplemental Indenture” shall mean the First Supplemental Indenture of Trust, dated as of April 1, 2010, by and between the Issuer and the Trustee, amending and supplementing the Indenture.

“Funds” shall mean, collectively, the Program Fund, the Bond Fund and the General Fund.

“General Fund” shall mean the General Fund established pursuant to the Indenture.

“Government Obligations” shall mean direct noncallable obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or noncallable and nonprepayable obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America.

“Indenture” or “Original Indenture” shall mean the Indenture of Trust, dated as of November 22, 1996, by and between the Trustee and the Issuer, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture entered into pursuant to the provisions within the Indenture.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10006; “Moody’s Municipal and Government,” 99 Church Street, 8th Floor, New York, New York 10007 Attention: Municipal News Reports; and Standard and Poor’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or to such other addresses and/or such other services providing information with respect to called bonds as the Issuer may designate.

“Initial Investment Security” shall mean the Federal National Mortgage Association \$510,410,000 8.18% Sinking Fund Medium Term Notes due February 15, 2014.

“Interest Payment Date” shall mean, with respect to the Issue 2 Refunding Bonds, March 15 and September 15 of each year, commencing the March 15 or September 15 following the Dated Date of the Issue 2 Refunding Bonds, whichever last occurs, and with respect to any Refunding Bond, the interest payment dates established therefor in the Supplemental Indenture authorizing the issuance of such Refunding Bond.

“Investment Securities” shall mean (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America; (2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Banks or Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Federal Farm Credits, Government National Mortgage Association, Farmer’s Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; (3) obligations the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and for which a nationally recognized rating service is maintaining a rating within the top rating category of such rating service; (4) repurchase agreements with reputable financial institutions fully secured by collateral security actually delivered to the Trustee or a third party acting solely on behalf of the Trustee described in clauses (1) or (2) of this definition continuously having a market value at least equal to the amount so invested; (5) bankers’ acceptances issued by a bank rated Aa or better by Moody’s, rated AA or better by S&P or rated AA or better by DCR, so long as DCR is providing a rating on the Bonds, and eligible for purchase by the Federal Reserve Bank; (6) interest-bearing deposit accounts (including certificates of deposit) in banks (including the Trustee or its affiliates, provided such deposits are (a) secured at all times, in the manner and to the extent provided by law, by collateral security (described in clauses (1) or (2) of this definition) of a market value of no less than the amount of moneys so invested or (b) in banks (including the Trustee or its affiliates) having a combined capital and surplus of at least one hundred million dollars (\$100,000,000) or (c) fully insured by the Federal Deposit Insurance Corporation; (7) shares in a regulated investment company whose assets consist of any securities described in (1)-(3) above including money market funds for which the Trustee, its affiliates or subsidiaries provides investment advisory or other management services; (8) open market commercial paper of any corporation incorporated under the laws of the United States of America or any State thereof rated “prime-1” or its equivalent by Moody’s, “A-1” or its equivalent by S&P or “AA” or its equivalent by DCR, so long as DCR is providing a rating on the Bonds; provided, however, that the term “Investment Security” shall not include any security issued by the Issuer.

“Issue 2 Refunding Bonds” shall mean the Irvine Ranch Water District Joint Powers Agency Taxable Refunding Bonds, Issue 2, authorized and issued under the Indenture.

“Issuer” shall mean the Irvine Ranch Water District Joint Powers Agency, a joint exercise of powers agency established pursuant to the laws of the State, and its successors and assigns.

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated to the Trustee by the Issuer.

“Opinion of Bond Counsel” shall mean an Opinion of Counsel from a firm of attorneys of recognized national standing in the field of municipal obligations.

“Opinion of Counsel” shall mean a written opinion of counsel selected by the Issuer. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

“Outstanding,” when used as of any particular time with reference to the Bonds, (subject to the provisions of the Indenture) shall mean all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of the Indenture; and

(c) Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with the Indenture.

“Owner” or “Bond Owner” shall mean the registered owner of any Bond.

“Person” shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

“Principal Office of the Trustee” shall mean the principal corporate trust office of the Trustee located in New York, New York.

“Program Fund” shall mean the Program Fund established pursuant to the Indenture.

“Rating Agency” shall mean each of Moody’s, S&P or DCR, or other nationally recognized securities rating agency selected by the Issuer, which at any time is providing a rating on the Bonds.

“Rating Category” or “Rating Categories” shall mean one or more of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category or categories by numerical or arithmetic modifier or otherwise.

“Record Date” shall mean with respect to the Issue 2 Refunding Bonds, the last calendar day of the month preceding the Interest Payment Date and with respect to any Refunding Bond, the dates specified as such in the Supplemental Indenture authorizing the issuance of such Refunding Bonds.

“Refunding Bonds” shall mean any Bonds other than the Issue 2 Refunding Bonds issued pursuant to the provisions of the Indenture.

“Revenues” shall mean all interest, profits or other income derived from the investment of amounts in the Program Fund and all scheduled withdrawals of principal with respect to the Initial Investment Security and maturing principal of Government Obligations which are on deposit in the Program Fund.

“S&P” shall mean Standard & Poor’s Ratings Group, A Division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated to the Trustee by the Issuer.

“Securities Depositories” shall mean: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax-(215) 496-5058; or to such other addresses and/or such other securities depositories as the Issuer may designate.

“Series” whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same issue, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

“Series 2010 Bonds” shall mean the Issuer’s Taxable Refunding Bonds, Issue 2, Series 2010 issued pursuant to the Original Indenture as supplemented by the First Supplemental Indenture.

“Series 2010 Continuing Disclosure Agreement” shall mean the Continuing Disclosure Agreement between the Issuer and the Trustee, as dissemination agent relating to the Series 2010 Bonds.

“State” shall mean the State of California.

“Supplemental Indenture” shall mean any indenture duly authorized and entered into after the date of the Indenture between the Issuer and the Trustee in accordance with the provisions of the Indenture.

“Trustee” shall mean The Bank of New York Mellon, a banking corporation organized and existing under the laws of the State of New York, or its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor trustee under the Indenture.

“Trust Estate” shall mean, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, (i) the Revenues and (ii) all amounts on deposit in the Bond Fund, the General Fund and the Program Fund, including the investments, if any, thereof.

“Written Consent of the Issuer,” “Written Order of the Issuer,” “Written Request of the Issuer” and “Written Requisition of the Issuer” shall mean, respectively, a written consent, order, request or requisition signed by or on behalf of the Issuer by a member of the Commission of the Issuer or the Treasurer of the Issuer.

## **Authorization and Issuance of Bonds**

Authorization of Bonds. (a) The Indenture provides for the authorization of Bonds of the Issuer to be designated as “Irvine Ranch Water District Joint Powers Agency Taxable Refunding Bonds, Issue 2”. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Indenture is not limited except as provided in the Indenture or as may be limited by law.

(b) The Bonds may, if and when authorized by the Issuer pursuant to one or more Supplemental Indentures, be issued in one or more Series, and the designation thereof, in addition to the name “Irvine Ranch Water District Joint Powers Agency Taxable Refunding Bonds, Issue 2”, shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Purposes of Bonds. The Bonds may be authorized and issued pursuant to the Indenture for the purpose of refunding any Bonds Outstanding under the Indenture.

Bonds Equally and Ratably Secured. All of the Bonds are, and are to be, to the extent provided in the Indenture, equally and ratably secured by the Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity of the Bonds, so that, subject as aforesaid, all Bonds at any time Outstanding under the Indenture shall have the same right, lien, and preference under and by virtue of the Indenture and shall all be equally and ratably secured with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Indenture.

Special Obligations. The Bonds shall be special, limited obligations of the Issuer, payable from and secured as to the payment of the principal of, premium, if any, and interest thereon, in accordance with their terms and the terms of the Indenture, solely from the Trust Estate. The Bonds shall not constitute a charge against the general credit of the Issuer or its members. Under no circumstances shall the Issuer be obligated to pay principal of, premium, if any, or interest on the Bonds except from the Trust Estate. Neither the State nor any public agency (other than the Issuer) nor any member of the Issuer is obligated to pay the principal of, premium, if any, or interest on the Bonds. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Issuer is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. Neither the payment of the principal of or any part thereof, premium, if any, or interest on the Bonds constitutes a debt, liability or obligation of the State or any public agency (other than the Issuer) or any member of the Issuer.

No covenant or agreement contained in any Bond or the Indenture shall be deemed to be a covenant or agreement of any officer, member, agent or employee of the Issuer in his individual capacity and neither the members of the Issuer nor any officer or employee thereof executing the Bonds shall be liable personally on any Bond or be subject to any personal liability or accountability by reason of the issuance of such Bonds.

Provisions for Issuance of the Bonds. The Bonds of each Series shall forthwith be executed by the Issuer and delivered to the Trustee for authentication, together with a Written Order of the Issuer certifying that all conditions precedent to the authorization of the Bonds of such Series have been complied with and authorizing the Trustee to authenticate such Bonds. The Trustee shall authenticate and deliver the Bonds of each Series upon receipt of the Written Order of the Issuer described above, and upon the following having been made available to the Trustee:

(i) With respect to each Series of Refunding Bonds, an executed counterpart of the Supplemental Indenture authorizing the issuance of such Bonds, duly certified by the Secretary under its seal to have been duly executed by the Issuer and to be in full force and effect on the date of such certification;

(ii) An Opinion of Bond Counsel, dated the date of delivery of such Series of Bonds, to the effect that (1) the Issuer has lawful authority for the issuance of such Bonds, (2) such Bonds constitute the legal, valid and binding special, limited obligations of the Issuer, payable in accordance with their terms and secured as provided in the Indenture, and (3) the Indenture, in the case of the Issue 2 Refunding Bonds and the Supplemental Indenture authorizing the issuance of such Bonds in the case of Refunding Bonds, has been duly and validly authorized, executed and delivered and constitutes the legal, valid and binding obligation of the Issuer enforceable in accordance with its terms; provided, however, that with respect to (2) and (3), above, no opinion need be expressed as to the effect upon such enforceability of bankruptcy, insolvency, reorganization, moratorium and other laws or equitable principles, now or hereafter in effect and effecting the enforcement of creditors' rights generally;

(iii) With respect to each Series of Refunding Bonds, a Written Order of the Issuer directing that the Trustee authenticate the Bonds of such Series and containing instructions as to the delivery of such Bonds;

(iv) With respect to each Series of Refunding Bonds, the proceeds of the sale of the Bonds;

(v) With respect to each Series of Refunding Bonds, a Certificate of the Issuer stating that the Issuer is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture;

(vi) With respect to the Issue 2 Refunding Bonds, delivery of Initial Investment Security for deposit in the Program Fund;

(vii) With respect to each Series of Refunding Bonds, a Cashflow Certificate with respect to the investments in the Program Fund;

(viii) With respect to each Series of Refunding Bonds, an original executed counterpart of the Supplemental Indenture authorizing the issuance of such Refunding Bonds; and

(ix) With respect to each Series of Refunding Bonds, an Opinion of Bond Counsel to the effect that upon the issuance of such Refunding Bonds and the application of the proceeds thereof as provided in the Supplemental Indenture authorizing the issuance of such Bonds, the Bonds to be refunded with the proceeds thereof will not be Outstanding for purposes of the Indenture; and

(x) With respect to each Series of Refunding Bonds, written evidence from each Rating Agency that the rating on the Bonds to be Outstanding after the issuance of such Series of Refunding Bonds will not be reduced or withdrawn solely as a result of the issuance of such Refunding Bonds.

### **General Terms and Provisions of Bonds**

Medium of Payment. The Bonds shall be payable, with respect to interest, principal and redemption premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Principal of and premium, if any, on any Bonds shall be payable upon surrender thereof at the Principal Office of the Trustee.

Interest Payments. The Bonds of each Series shall bear interest from their Dated Date and shall continue to bear interest until the entire principal amount of the Bonds of such Series has been paid; provided, that if, as shown by the records of the Trustee, interest on the Bonds shall be in default, such Bonds shall bear interest from the last date to which interest has been paid in full or duly provided for on the Bonds, or, if no interest has been paid or duly provided for on the Bonds, from their Dated Date. Bonds of each Series shall bear interest from the Interest Payment Date last preceding the date of authentication thereof by the Trustee (unless any Bond is authenticated prior to the first Interest Payment Date, in which event it shall bear interest from its Dated Date, or unless it is authenticated after the Record Date and on or before an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date), payable on each Interest Payment Date.

Payment of the interest on any Bond shall be made to the Person appearing on the Bond Register as the Owner thereof on the Record Date, such interest to be paid by the Trustee to such Owner by check mailed on the Interest Payment Date, to such Owner's address as it appears on the Bond Register or at such other address as has been furnished to the Trustee in writing by such Owner not later than the Record Date except that, if and to the extent that there shall be a default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be paid to the Owners in whose name any such Bonds are registered at the close of business on the tenth day next preceding the date of payment of such defaulted interest. Any Owner of \$1,000,000 or more in principal amount of Bonds may, upon written direction to the Trustee delivered no later than the Record Date, be paid interest by wire transfer, provided that appropriate wire instructions have been received by the Trustee at least five (5) Business Days prior to the relevant Interest Payment Date. Any such written request shall remain in effect until rescinded in writing by such Owner. If any Interest Payment Date is not a Business Day, such interest shall be paid on the next succeeding Business Day. Interest on the Bonds shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

Negotiability, Transfer and Registry. The Bonds may be transferred and title thereto shall pass only as provided therein. Pursuant to the Indenture, the Issuer has designated the Trustee as the Bond Registrar to keep the books for the registration and transfer of the Bonds. All Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, inform and with guaranty of signature satisfactory to the Trustee duly executed by the Owner or by his attorney duly authorized in writing.

The Issuer and the Trustee may deem and treat the registered Owner of any Bond as shown on the Bond Register as the absolute owner of such Bond for the purpose of receiving any payment on such Bond and for all other purposes of the Indenture, whether such Bond shall be overdue or not, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary. Payment of, or on account of, the principal of, premium, if any, and interest on, any Bond shall be made to such Owner or upon his written order. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

All Bonds issued under the Indenture shall have the attributes of negotiability as are provided for under the laws of the State, subject to the registration requirements of the Indenture.

Regulations With Respect to Transfer and Exchange. In all cases in which the privilege of exchanging Bonds or registering the transfer of Bonds is exercised, the Issuer shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Indenture. All Bonds surrendered in any such exchanges or upon any such registration of transfer shall forthwith be delivered to the Trustee and cancelled by it. There shall be no charge to the Owner for any such exchange or registration of transfer of Bonds, but the Issuer may require the payment of a sum sufficient to pay any tax or other governmental charge required to be paid with respect to any such exchange or registration of transfer. The Trustee shall not be required to transfer or exchange (i) any Bond during the period commencing on the date 15 days prior to the date of selection of Bonds for redemption and ending on such date of selection, or (ii) any Bond selected for redemption except the unredeemed portion thereof. The costs associated with any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the Issuer.

Authentication. No Bond shall be secured by the Indenture or entitled to its benefits or shall be valid or obligatory for any purpose unless there shall be endorsed on such Bond the Trustee's certificate of authentication, executed by the manual signature of a duly authorized signatory of the Trustee; and such certificate on any Bond issued by the Issuer shall be conclusive evidence and the only competent evidence that such Bond has been duly authenticated and delivered under the Indenture.

Cancellation of Bonds. Upon the surrender to the Trustee of any temporary or mutilated Bond, or any Bond surrendered for transfer or exchange, or Bonds acquired, redeemed or paid at maturity, the same shall forthwith be cancelled and returned to the Issuer.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Issuer, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor and number in exchange and

substitution for the Bond so mutilated but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be destroyed by it and a certificate of destruction shall be delivered to the Issuer upon the request of the Issuer. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence shall be satisfactory to the Trustee and indemnity satisfactory to it shall be given, the Issuer, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bonds shall have matured or shall be about to mature, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof, making such requirements as it deems fit for its protection, including a lost instrument bond). The Issuer may require payment of a reasonable fee for each new Bond issued under the Indenture and payment of the expenses which may be incurred by the Issuer and the Trustee. Any new Bond issued under the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Issuer whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

### **Establishment of Funds and Application Thereof**

Establishment of Funds. The Trustee shall establish and maintain the following Funds and Accounts under the Indenture:

- (i) Bond Fund;
- (ii) Program Fund; and
- (iii) General Fund.

Bond Fund. Moneys in the Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds as the same shall become due and payable at maturity, on an Interest Payment Date, upon redemption or otherwise.

Program Fund. Revenues shall be transferred from the Program Fund to the Bond Fund on the next succeeding Interest Payment Date in such amounts as shall be necessary to pay the principal of premium, if any, and interest on the Bonds due on such Interest Payment Date. Revenues, to the extent in excess of the amounts necessary to pay the principal of, premium, if any, and interest on the Bonds due on the next succeeding Interest Payment Date as reflected in a Cashflow Certificate delivered to the Trustee shall be transferred to the General Fund.

General Fund. Moneys in the General Fund may be withdrawn by the Issuer and used by the Issuer for any lawful purpose, including making payments to any member of the Issuer.

Investment of Moneys. The Trustee may act as principal or agent in the acquisition or disposition of investments. Any moneys in any of the Funds and Accounts to be established by the Trustee pursuant to the Indenture shall be invested, upon the Written Request of the Issuer accompanied in each case by the information if any, required to enable the Trustee to comply with the provisions of the Indenture, made prior to noon California time on the Business Day

prior to the day the investment is to be settled, by the Trustee in Investment Securities; provided, however, that (i) moneys in the Program Fund shall be invested only in the Initial Investment Security or, upon delivery to the Trustee of a Cashflow Certificate reflecting the proposed investment, in Government Obligations and (ii) moneys in the Bond Fund shall be invested only in Government Obligations maturing within the lesser of thirty (30) days from the date of investment or when needed to make payments of principal and interest under the Indenture. In the absence of such Written Request, the Trustee shall invest in Investment Securities described in clause (7) of the definition thereof. The Initial Investment Security shall not be sold, liquidated or otherwise disposed of, or any principal amount thereof withdrawn or redeemed, except in accordance with scheduled principal or sinking fund payments under the Indenture unless a Cashflow Certificate reflecting any such proposed sale, liquidation, disposition, withdrawal or redemption has been delivered to the Trustee. The Issuer shall not consent or agree to or permit any transfer, disposition, liquidation or replacement of any investment in the Program Fund, unless (i) a Cashflow Certificate reflecting the investments remaining in the Program Fund after such action is delivered to the Trustee, and (ii) written notice from each Rating Agency confirming that the ratings on the Bonds will not be lowered or withdrawn from the then current rating as a result of such action is delivered to the Trustee. The Issuer shall not request withdrawals from investments in the Program Fund except as described in the Cashflow Certificate delivered in connection with such investment. Moneys in any Fund or Account shall be invested in Investment Securities with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the date on which it is estimated that such moneys will be required by the Trustee.

For the purpose of determining the amount in any Fund or Account, all Investment Securities and Government Obligations credited to such fund shall be valued at the lesser of (a) the original cost thereof (excluding any brokerage commissions and excluding any accrued interest), (b) the par amount thereof or (c) the market value thereof.

Any interest, profit or loss on such investments shall be credited or charged to the respective Funds or Accounts from which such investments are made. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such sale or redemption of such investment.

Repayment of Moneys. When there are no longer any Bonds Outstanding, and all fees, charges and expenses of the Trustee and any paying agents have been paid or provided for, and all expenses of the Issuer relating to the Indenture have been paid or provided for, and all other amounts payable under the Indenture have been paid, and the Indenture has been discharged and satisfied, all as provided in the Indenture, the Trustee shall pay to the Issuer any amounts remaining in any Fund or Account established and held under the Indenture.

### **Covenants of the Issuer**

Payment of Bonds. The Issuer will promptly cause to be paid from the Revenues and other funds and collateral pledged under the Indenture, the principal or redemption price of, and the interest on, every Bond issued under and secured by the Indenture at the places, on the dates

and in the manner specified in the Indenture and in said Bonds according to the true intent and meaning thereof.

Enforcement of Rights Under Investments in Funds. The Issuer shall diligently enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all investments credited to the Program Fund and the Bond Fund, including the requirement of prompt payment of all principal and interest payments and all other amounts due the Issuer under the Indenture. The Issuer shall not release the obligations of any obligor under any investments credited to the Program Fund and the Bond Fund and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Issuer and of the Owners of the Bonds under or with respect to each investment credited to the Program Fund and the Bond Fund; provided that this provision shall not be construed to prevent the Issuer from settling a default on any investment credited to the Program Fund and the Bond Fund on such terms as the Issuer shall determine to be in the best interests of the Issuer and the Owners of the Bonds.

Amendment of Terms of Investments. The Issuer shall not consent or agree to or permit any amendment or modification of any investment credited to the Program Fund and the Bond Fund (i) which will in any manner impair or materially adversely affect the rights or security of the Owners of the Bonds under the Indenture and (ii) without delivering to the Trustee a written notice from each Rating Agency confirming that the ratings on the Bonds will not be lowered or withdrawn from the then current rating as a result of the action proposed to be taken. In determining whether any amendment or modification will in any manner impair or materially adversely affect the rights or security of the Owners of the Bonds under the Indenture, the Issuer may rely on an Opinion of Counsel.

Further Assurances. The Issuer covenants under the Indenture that it will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of the Indenture; provided, however, that no such instruments or actions shall cause the Bonds to be other than special, limited obligations of the Issuer payable from and secured in accordance with the terms of the Bonds and the Indenture solely by the Trust Estate. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of the Issuer shall be pledged to the payment of the Bonds or the interest thereon and neither the Bonds nor the interest thereon shall constitute a debt, liability or obligation of the State of California or any public agency (other than the Issuer) or any member of the Issuer.

Other Liens. So long as any Bonds are Outstanding, the Issuer shall not create or suffer to be created any pledge, lien or charge of any type whatsoever upon all or any part of the Trust Estate, other than the lien of the Indenture. The Issuer covenants and agrees under the Indenture not to issue any additional bonds, notes or other evidences of indebtedness unless the ratings on the Bonds from each Rating Agency will not be lowered or withdrawn from the then current rating.

Continuing Disclosure. The Issuer and the Trustee covenant and agree under the Indenture that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the

Issuer or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Indenture; provided however, the Trustee may (and, at the request of any Purchase Agent (as defined in the Continuing Disclosure Agreement) or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Trustee, as the case may be, to comply with its obligations under the Indenture. "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

## **Default**

Events of Default; Acceleration. Each of the following events shall constitute an "Event of Default" under the Indenture:

(a) Failure to make due and punctual payment of any installment of interest upon any Bond when such payment has become due and payable;

(b) Failure to make due and punctual payment of the principal of and premium, if any, on any Bond when the same shall have become due and payable, whether at the stated maturity thereof, or upon proceedings for redemption thereof or upon the maturity thereof by declaration; or

(c) Default by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained other than those set forth in the Indenture, and the continuance of such default for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding.

The Issuer shall file with the Trustee written notice of the occurrence of an Event of Default within five (5) Business Days of the Issuer's becoming aware of such Event of Default. No default specified in (c) above shall constitute an Event of Default unless the Issuer shall have failed to correct such default within the applicable period; provided, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within the applicable period and diligently pursued until the default is corrected. The Issuer shall notify the Trustee in writing of any action taken pursuant to the preceding sentence and shall update such notice as reasonably requested by the Trustee.

Upon the occurrence and continuation of an Event of Default, the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Issuer with copies of such notice being sent to the Bond Owners, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall

thereupon become and be immediately due and payable; provided, however, no such declaration shall be made unless moneys shall be available to pay the principal of and interest on the Bonds which would then become due and payable.

The paragraph of the Indenture summarized above, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as provided in the Indenture, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal at the rates borne by the respective Bonds, and the reasonable expenses (including attorneys fees) of the Trustee, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Issuer and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences and waive such default; provided, however, that no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Proceedings by Trustee. Upon the happening and continuance of any Event of Default the Trustee in its discretion may, and at the written request of the Owners of not less than 25% in aggregate principal amount of Bonds Outstanding, shall, do the following:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Issuer to enforce all rights of the Owners of Bonds, including the right to require the Issuer to carry out any other covenant or agreement with Owners of Bonds and to perform its duties under the Indenture;

(b) bring suit upon the Bonds;

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;

(d) as a matter of right, have a receiver or receivers appointed for the Trust Estate and of the revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer; and

(e) take such action with respect to any and all Investment Securities as the Trustee shall deem necessary and appropriate, subject to the terms of the Indenture and to the terms of such Investment Securities.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or redemption price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or redemption price due on such date to the Persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee or of any Owner of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners of Bonds may be exercised from time to time and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under the Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Issuer, the Trustee and the Owners of the Bonds, severally and respectively, shall be restored to their former positions and rights under the Indenture in respect to the Trust Estate; and all remedies, rights and powers of the Issuer, the Trustee and the Owners of the Bonds shall continue as though no such proceedings had been taken.

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

Trustee Appointed Agent for Bond Owners. Pursuant to the Indenture, the Trustee is appointed the agent and attorney of the Owners of all Bonds Outstanding under the Indenture for the purpose of filing any claims relating to the Bonds.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default under the Indenture, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Bonds Outstanding under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Indenture; (b) the Owners of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

## **The Trustee**

Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as prudent persons would exercise or use under the circumstances in the conduct of

their own affairs. Notwithstanding any other provision of the Indenture, the Trustee shall perform all duties required of it under the Indenture.

No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action or its own negligent failure to act, except that:

(a) Prior to such an Event of Default under the Indenture and after the curing of all Events of Default which may have occurred,

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions of the Indenture, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of the Indenture; but in the case of any such certificate or opinion which by any provision of the Indenture is specifically required to be furnished to the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of the Indenture; and

(b) At all times, regardless of whether or not any Event of Default shall exist,

(1) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(c) None of the provisions contained in the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of their duties or in the exercise of any of their rights or powers other than to notify the Issuer that it intends to take no particular action or to notify the Bond Owners that it will take no action.

(d) The Trustee's rights to immunities and protection from liability under the Indenture and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds or termination of the Indenture. All indemnifications and releases from liability granted in the Indenture to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(e) The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Qualifications of Trustee. There shall at all times be a trustee and a registrar under the Indenture which shall be a commercial bank, trust company or national association organized and doing business under the laws of the United States or of a state thereof, authorized under such laws to exercise corporate trust powers, having (or, in the case of a trust company or commercial bank included in a bank holding company system, with a bank holding company having) a combined capital and surplus of at least fifty million dollars (\$50,000,000), subject to supervision of examination by federal or state authority. If such corporations or banking associations publish reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such corporations or banking associations shall be deemed to be their combined capital and surplus as set forth in their most recent reports of conditions so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this section, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

Resignation and Removal of Trustee and Appointment of Successor Trustee. (a) The Trustee may at any time resign by giving written notice to the Issuer and by giving to the Bond Owners notice of such resignation by mail at the addresses shown on the Bond Register. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor trustee by an instrument in writing.

(b) The Issuer may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the previous section, or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee shall not be relieved of its duties under the Indenture until its successor Trustee has accepted its appointment and assumed the duties of Trustee under the Indenture. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture, shall signify its acceptance of such appointment by executing and delivering to the Issuer and to its predecessor Trustee a written acceptance thereof, and

thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Issuer shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, power, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Issuer shall cause such Trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to the Owners at the address shown on the Bond Register.

### **Modification of Indenture**

Modification without Consent of Bond Owners. The Issuer and the Trustee, without the consent of any Bond Owners, from time to time and at any time, and subject to the conditions and restrictions in the Indenture contained, may enter into an indenture or indentures supplemental to the Indenture, which indenture or indentures thereafter shall form a part of the Indenture, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Issuer in the Indenture contained, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power reserved in the Indenture to or conferred upon the Issuer; provided that no such covenant, agreement or surrender shall materially adversely affect the interests of the Owners;

(b) to cure any ambiguity, to supply any omission or to cure, correct or supplement any defect or inconsistent provisions contained in the Indenture or in any Supplemental Indenture;

(c) to make any change which does not materially adversely affect the rights of any Owner;

(d) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority;

(e) to subject to the Indenture additional collateral or to add other agreements of the Issuer;

(f) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(g) to provide for the procedures required to permit any Bond Owner, at its option, to utilize an uncertificated system of registration of its Bond;

(h) to permit principal and interest on the Bonds to be separated and traded separately;

(i) to provide for the issuance of Refunding Bonds; prior to the authentication and delivery of any Bonds by the Trustee, to comply with (i) any and all requirements of S&P and any and all requirements of DCR, so long as DCR is providing a rating on the Bonds, (ii) any and all requirements of a nationally recognized bond insurer providing bond insurance on the Bonds, and (iii) any and all requirements of a nationally recognized securities rating agency providing a rating on the Bond.

Any Supplemental Indenture authorized by the provisions of the Indenture may be executed by the Issuer and the Trustee without the consent of (or notice to) the Owners of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of the Indenture, but the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Notwithstanding anything to the contrary in the Indenture, the Indenture shall not be amended pursuant to the Indenture unless the Issuer delivers to the Trustee a written notice from each Rating Agency confirming that the ratings on the Bonds will not be lowered or withdrawn as a result of the proposed amendment.

Modification with Consent of Bond Owners. With the written consent of the Owners of not less than majority in aggregate principal amount of the then Outstanding Bonds, evidenced as provided in the Indenture, the Issuer and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Owners of Bonds whose consent is required for the execution of such Supplemental Indenture, or extend the time of payment, or permit the creation of any lien on the Trust Estate prior to or on a parity with the lien of the Indenture, except as permitted in the Indenture, or permit the creation of any preference of any Bond Owner over any other Bond Owner or deprive the Owners of the Bonds of the lien created by the Indenture upon the Trust Estate, without the consent of the Owners of all the Bonds then Outstanding. Upon receipt by the Trustee of a certified resolution authorizing the execution of any such Supplemental Indenture, and upon the filing with the Trustee of evidence of the consent of the Bond Owners, as aforesaid, the Trustee shall join with the Issuer in the execution of such Supplemental Indenture, unless such Supplemental Indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such Supplemental Indenture.

It shall not be necessary for the consent of the Bond Owners under the Indenture to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any Supplemental Indenture pursuant to the provisions in the Indenture, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Bond Owner at the address contained in the Bond Register. Any failure of the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Notwithstanding anything to the contrary in the Indenture, the Indenture shall not be amended pursuant to the Indenture unless the Issuer delivers to the Trustee a written notice from each Rating Agency confirming that the ratings on the Bonds will not be lowered or withdrawn as a result of the proposed amendment.

The Issuer may, but shall not be obligated to, fix a record date for the purpose of determining the persons entitled to consent to any indenture supplement. If a record date is fixed, the Owners of Outstanding Bonds on such record date, or their duly designated proxies, and only such persons, shall be entitled to consent to such supplemental indenture, whether or not such Owners of Outstanding Bonds remain Owners of Outstanding Bonds after such record date; provided, that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 90 days after such record date, any such consent previously given shall automatically and without further action by any Owner of Outstanding Bonds be cancelled and of no further effect.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the provisions of the Indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be part of the terms and conditions of the Indenture for any and all purposes.

Opinion of Counsel as to Supplemental Indenture. Subject to the provisions of the Indenture, the Trustee may receive an Opinion of Counsel as conclusive evidence that any Supplemental Indenture executed pursuant to the provisions of the Indenture, which complies with the requirements of the Indenture.

Notation of Modification on Bonds; Preparation of New Bonds. Bonds authenticated and delivered after the execution of any Supplemental Indenture pursuant to the provisions of the Indenture may bear a notation, in form approved by the Trustee, as to any matter provided for in such Supplemental Indenture, and if such Supplemental Indenture shall so provide, new Bonds, so modified as to conform, in the opinion of the Trustee and the Issuer, to any modification of the Indenture contained in any such Supplemental Indenture, may be prepared by the Issuer, authenticated by the Trustee and delivered without cost to the Owners of the Bonds then

Outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

Notification of Modification. Upon execution of any Supplemental Indenture pursuant to the provisions of the Indenture, the Trustee shall give prompt notification to any Rating Agency of the modifications contained therein.

## **Defeasance**

Defeasance. If and when the Bonds secured by the Indenture shall become due and payable in accordance with their terms or through redemption proceedings as provided in the Indenture, or otherwise, and the whole amount of the principal of, premium, if any, and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Indenture by the Issuer, including all fees and expenses of the Trustee, then and in that case, the Indenture and the lien created thereby shall be discharged and satisfied and the Issuer shall be released from the covenants, agreements and obligations of the Issuer contained in the Indenture, and the Trustee shall assign and transfer to or upon the order of the Issuer all property (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances and shall execute such documents as may be reasonably required by the Issuer in this regard.

Subject to the provisions of the paragraph of the Indenture summarized above, when any of the Bonds shall have been paid and if, at the time of such payment, the Issuer shall have kept, performed and observed all the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by the Issuer or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Issuer under the Indenture shall cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Issuer.

Bonds Deemed to Have Been Paid. If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest installments therefor at the maturity or redemption date thereof, such Bonds shall be deemed to be paid within the meaning

and with the effect provided in the Indenture. Any Outstanding Bond or Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Indenture if (a) in case said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, such notice to be given in accordance with the provisions of the Indenture, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant), to pay when due the principal of, premium, if any, and interest due and to become due on, said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event any of said Bonds are not to be redeemed within the next succeeding sixty (60) days, the Issuer shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to the Indenture, a notice to the Owners of such Bonds and to the Securities Depositories and an Information Service that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal of and premium, if any, of said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to the Indenture nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the Issuer, be reinvested in Government Obligations maturing at times and in amounts, together with the other moneys and payments with respect to Government Obligations then held by the Trustee pursuant to the Indenture, sufficient to pay when due the principal of, premium, if any, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Order of the Issuer so directing, be paid over to the Issuer, as received by the Trustee, free and clear of any trust, lien or pledge.

Any release under the Indenture shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by the Indenture created and the performance of its powers and duties under the Indenture; provided, however, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to the Indenture.

Moneys Held for Particular Bonds. Except as otherwise provided in the Indenture, the amounts held by the Trustee for the payment of the interest, principal and premium, if any, due on any date with respect to particular Bonds shall, on and after such date and pending such

payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto.

### **Summary of Certain Provisions of the First Supplemental Indenture**

Modification of Terms of Initial Investment Security. With the written consent of the Owners of not less than majority in aggregate principal amount of the then Outstanding Bonds, evidenced as provided in the section entitled “Evidence of Rights of Bond Owners” of the Indenture, the Trustee may consent to a modification of the terms of the Initial Investment Security; provided, however, that no such modification shall (1) extend the fixed maturity of the Initial Investment Security or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof without the consent of the Owner of each affected Bond, or (2) reduce the aforesaid percentage of Owners of Bonds whose consent is required for such modification of the terms of the Initial Investment Security without the consent of the Owners of all then Outstanding Bonds.

Additional Covenants of Issuer. The Issuer covenants and agrees that each Cashflow Certificate submitted by the Issuer pursuant to the Original Indenture shall be from an independent certified public accountant acceptable to Moody’s, so long as Moody’s is providing a rating on the Bonds.

Redemption of Initial Investment Security at Holder’s Option. The Trustee shall not exercise any option available to the holder of the Initial Investment Security to request the redemption of the Initial Investment Security prior to its scheduled maturity date unless the Trustee has received a Cashflow Certificate in connection with such redemption.

Continuing Disclosure. The Issuer and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the Series 2010 Continuing Disclosure Agreement. Notwithstanding any other provision of the Original Indenture or the First Supplemental Indenture, failure of the Issuer or the Trustee to comply with the Series 2010 Continuing Disclosure Agreement shall not be considered an Event of Default; provided however, the Trustee may (and, at the request of the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific preference by court order, to cause the Issuer or the Trustee, as the case may be, to comply with its obligations under this Section. For purposes of this Section, “Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

## APPENDIX C

### FORM OF OPINIONS OF CO-BOND COUNSEL

*Upon issuance of the Series 2010 Bonds, Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the Issuer, propose to render their final approving opinions with respect thereto in substantially the following form:*

[Date of Delivery]

Irvine Ranch Water District  
Joint Powers Agency  
15600 Sand Canyon Avenue  
Irvine, California

Irvine Ranch Water District Joint Powers Agency  
Taxable Refunding Bonds, Issue 2, Series 2010  
(Final Opinion)

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the Irvine Ranch Water District Joint Powers Agency (the “Issuer”) in connection with the issuance of \$436,955,000 aggregate principal amount of Irvine Ranch Water District Joint Powers Agency Taxable Refunding Bonds, Issue 2, Series 2010 (the “Series 2010 Bonds”), issued pursuant to an Indenture of Trust, dated as of November 22, 1996, by and between the Issuer and The Bank of New York Mellon, as successor trustee (the “Trustee”), as supplemented by the First Supplemental Indenture of Trust, dated as of April 1, 2010, by and between the Issuer and the Trustee (as so supplemented, the “Indenture”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The Indenture provides that the Series 2010 Bonds are payable from and secured as to the payment of the principal of, premium, if any, and interest thereon, in accordance with their terms and the terms of the Indenture, solely from the Trust Estate and that the Series 2010 Bonds shall not constitute a charge against the general credit of the Issuer or its members.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date

hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2010 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture.

We call attention to the fact that the rights and obligations under the Series 2010 Bonds and the Indenture and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint exercise of powers agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2010 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2010 Bonds constitute the valid and binding special, limited obligations of the Issuer.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2010 Bonds, of the Trust Estate, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. Interest on the Series 2010 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010 Bonds.

Faithfully yours,

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”), dated as of April \_\_, 2010, is being executed and delivered by the Irvine Ranch Water District Joint Powers Agency (the “Issuer”) and The Bank of New York Mellon (formerly named The Bank of New York), as trustee (the “Trustee”) in connection with the issuance of \$436,955,000 aggregate principal amount of Irvine Ranch Water District Joint Powers Agency Taxable Refunding Bonds, Issue 2, Series 2010 (the “Bonds”). The Bonds are being issued pursuant an Indenture of Trust, dated as of November 22, 1996, as supplemented by the First Supplemental Indenture of Trust, dated as of April 1, 2010 (the “Indenture”), by and between the Issuer and the Trustee. Pursuant to the provisions of the Indenture, the Issuer and the Trustee covenant and agree:

SECTION 1. Definitions. Capitalized terms, unless otherwise defined herein, shall have the meanings set forth in the Indenture.

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

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

“Business Day” shall mean a day which is not a Saturday, a Sunday or a legal holiday on which banking institutions in the State of California are closed.

“Disclosure Representative” shall mean the \_\_\_\_\_ of the Issuer or such person’s designee, or such other person as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” means MSRB or any other information repository as recognized by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Owner” or “Bond Owner,” whenever used herein with respect to a Bond, shall mean the person in whose name the ownership of such Bond is registered on the bond register maintained pursuant to the Indenture.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“Underwriter” shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated.

SECTION 2. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 3. Provision of Annual Reports. (a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 120 days following the end of the Issuer’s fiscal year (which fiscal year currently ends June 30), commencing with the report for the 2009-2010 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Fiscal Year of the Issuer changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Issuer to determine if the Issuer is in compliance with subsection (a).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Trustee shall send a notice to the Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall file a report with the Issuer and the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.

The item listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been filed with the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Repository. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform; or
- (vi) adverse tax opinions;
- (vii) modifications to the rights of Bond Owners;
- (viii) optional, contingent or unscheduled bond calls;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds; and
- (xi) rating changes;

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Trustee and the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Trustee and Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository, with a copy to the Issuer. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

SECTION 6. Electronic Reporting. The Issuer may satisfy its disclosure obligations hereunder to file any notice, document or information by filing the same with the MSRB through its Electronic Municipal Market Access system, in the format and with identifying or other information as may be required by the Securities and Exchange Commission or the MSRB, or any other Repository that may be recognized by the Securities and Exchange Commission.

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

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Issuer shall be Dissemination Agent. The Dissemination Agent may resign by providing 30 days written notice to the Issuer and the Trustee.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer, the Dissemination Agent and the Trustee may amend this Disclosure Agreement (and the Dissemination Agent and the Trustee shall agree to any amendments so requested by the Issuer, provided that the Dissemination Agent and Trustee shall

not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder), and any provision of this Disclosure Agreement may be waived, provided that any of the following conditions is satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; or

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Bonds, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Underwriter or the Owners of at least 25% of aggregate principal amount of the Bonds then Outstanding, shall), or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Trustee, as the case may be, to comply with its obligations under this

Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or any related document, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and the Dissemination Agent shall be entitled to the provisions thereof. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer: Irvine Ranch Water District Joint Powers Agency  
15600 Sand Canyon Avenue  
Irvine, California 92716-6025  
Attention: Treasurer

To the Dissemination Agent: The Bank of New York Mellon  
GLOBAL TRUST  
101 Barclay Street  
New York, New York 10286  
Attention: Maryann Joseph, Vice President

To the Trustee (if Dissemination Agent is no longer the Trustee): The Bank of New York Mellon  
GLOBAL TRUST  
101 Barclay Street  
New York, New York 10286  
Attention: Maryann Joseph, Vice President

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriter, the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. THIS DISCLOSURE AGREEMENT SHALL BE GOVERNED BY THE LAWS OF CALIFORNIA DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

Signature Page Follows

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IRVINE RANCH WATER DISTRICT JOINT  
POWERS AGENCY**

By: \_\_\_\_\_  
Name:  
Title:

**THE BANK OF NEW YORK MELLON, as  
Trustee and Dissemination Agent**

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name: Irvine Ranch Water District Joint Powers Agency

Name of Bond Issue: Irvine Ranch Water District Joint Powers Agency Taxable Refunding Bonds, Issue 2, Series 2010

Date of Issuance: \_\_\_\_\_, 2010

CUSIP:

NOTICE IS HEREBY GIVEN that IRVINE RANCH WATER DISTRICT JOINT POWERS AGENCY (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 6.06 of the Indenture of Trust, dated as of November 22, 1996 and Section 3.04 of the First Supplemental Indenture of Trust, dated as of April 1, 2010, each between the Issuer and the Bank of New York Mellon (formerly named the Bank of New York). The Issuer has indicated that it anticipates that the Annual Report will be filed by \_\_\_\_\_, \_\_\_\_\_.

Dated: \_\_\_\_\_

**The Bank of New York Mellon**, as Trustee

By \_\_\_\_\_

Title: \_\_\_\_\_

Phone: \_\_\_\_\_

cc: Irvine Ranch Water District Joint Powers Agency  
Merrill Lynch, Pierce, Fenner & Smith Incorporated

**(THIS PAGE INTENTIONALLY LEFT BLANK)**





FOR ADDITIONAL BOOKS: [ELABRA.COM](http://ELABRA.COM) OR (888) 935-2272