

EL DORADO IRRIGATION DISTRICT

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District's Rate Covenant

Subject to Section 10.17 [dealing with interest rate swaps] and to the fullest extent permitted by law, the District shall fix, prescribe and collect rates and charges for the Water Service provided by the Water System which will be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Water System.

Subject to Section 10.17 [dealing with interest rate swaps] and to the fullest extent permitted by law, the District shall fix, prescribe and collect rates and charges for the Wastewater Service provided by the Wastewater System which will be at least sufficient to yield during each Fiscal Year Net Wastewater System Revenues equal to one hundred twenty-five percent (125%) of Debt Service for such Fiscal Year allocable to the Wastewater System.

(Installation Purchase Agreement – Section 6.13)

Event Of Default

Failure to comply with rate covenant is a default:

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

If default shall be made by the District in the performance of any of the other agreements or covenants required herein or in any Contract or Bond to be performed by it, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Corporation [Corporation has assigned enforcement right to Bond Trustee];

(Installment Purchase Agreement - Section 8.1)

Trustee's Remedies

The [Trustee] may, by notice in writing to the District and with the written consent of the Credit Facility Provider [Dexia], if any, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding.

(Installment Purchase Agreement - Section 8.1)

Court Ordered Action

Other Remedies of the [Trustee]. The [Trustee] shall have the right and shall, at the written direction the Credit Facility Provider [Dexia], if any:

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

by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Corporation; or

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

(Installation Purchase Agreement - Section 8.3)

DEXIA also has certain direct rights

District is obligated to file annual budget with Dexia:

Promptly after approval thereof, the annual budget of the District containing estimates of expenditures and anticipated Revenues and Operation and Maintenance Costs (as defined in the Installment Purchase Agreement) for the Fiscal Year covered thereby,

District is obligated to notify Dexia of defaults:

As soon as possible and in any event within ten (10) days after the occurrence of each Event of Default or Default continuing on the date of such statement, a statement of an Authorized District Representative setting forth details of such Event of Default or Default and the action which is being taken or proposed to be taken with respect thereto

(Reimbursement Agreement – Section 12(e))

Ability to issue additional parity debt would be impaired by a failure to meet debt coverage

Additional Contracts and Bonds. Subject to Section 10.17 [dealing with interest rate swaps], the District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

The Net Revenues for the most recent audited Fiscal Year ... shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year; and

The Net Revenues for the most recent audited Fiscal Year ... including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges for the Water Service and Wastewater Service approved and in effect as of the date of calculation, ..., shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year plus the [proposed] Debt Service

(Installation Purchase Agreement - Section 5.3)

District Would Still Have The Right To Issue Subordinate Debt

Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. The District may at any time, or from time to time, issue or incur evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of lien on Revenues on any moneys in the Revenue Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

(Installation Purchase Agreement - Section 6.2)