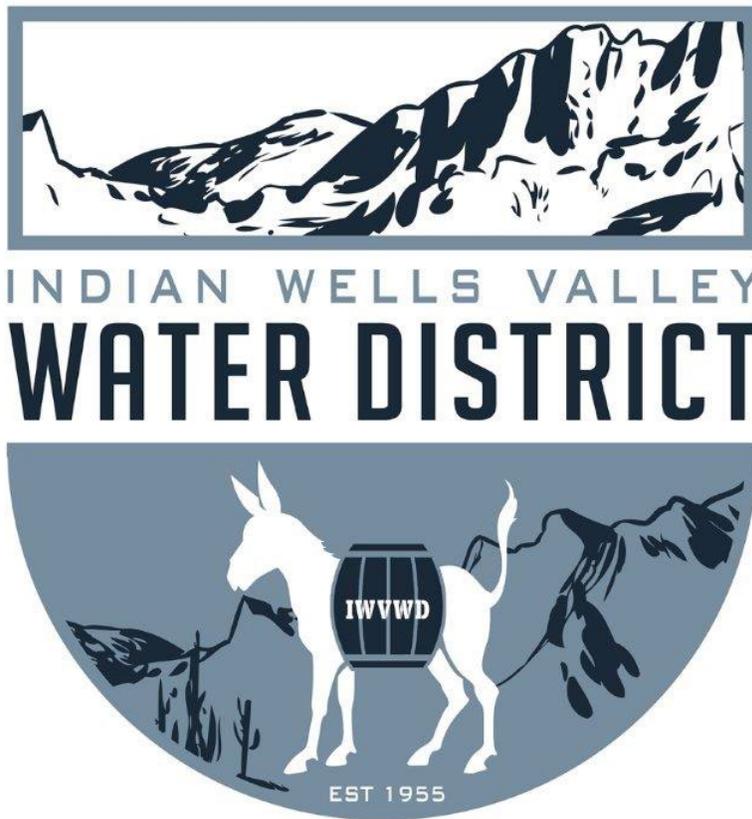


# INDIAN WELLS VALLEY WATER DISTRICT

Board of Directors Meeting



**January 18, 2024**



# INDIAN WELLS VALLEY WATER DISTRICT



## BOARD OF DIRECTORS

Ronald R. Kicinski, President  
David C. H. Saint-Amand, Vice President  
Mallory J. Boyd  
Charles D. Griffin  
Stanley G. Rajtora

George D. Croll  
General Manager  
Krieger & Stewart, Incorporated  
Engineers  
McMurtrey, Hartsock, Worth & St. Lawrence  
Attorneys-at-Law

## 2024 COMMITTEE ASSIGNMENTS

### ADMINISTRATION/EXECUTIVE COMMITTEE (KICINSKI/SAINT-AMAND)

Personnel, Legal Matters, General Plan, Community Relations, Board Meeting Agendas, Ordinances, Rules, Regulations, Policies, Procedures, Customer Service, Variances, Director’s Manual, etc.

### FINANCE COMMITTEE (KICINSKI/SAINT-AMAND)

Rates, Cost-of-Service, Budget, Audits, Cost Allocation, Investments, Financial Services, Insurance, Loans/Grants, Water Sales & Service Policy Manual, Accounting, Assessment Districts, Billing, etc.

### PLANT & EQUIPMENT COMMITTEE (BOYD/RAJTORA)

Transmission/Distribution System, Vehicles & Equipment, Wells, Reservoirs, Real Property Management, Telemetry, etc.

### WATER MANAGEMENT (BOYD/GRIFFIN)

Groundwater Sustainability Act, Indian Wells Valley Groundwater Authority, Water Management, Water Policy, Water Quality, Conservation, Urban Water Management Plan, California Urban Water Conservation Council, Title 22 Compliance, Alternative sources for water supply including Blending, Importation, Reuse, etc.

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Committee Meetings are generally scheduled on a regular day and time.  
Committee Meetings are subject to change.

**Administration/Executive**  
**Finance**  
**Plant & Equipment**  
**Water Management**

Wednesday before the Board Meeting at 2:00 p.m.  
Tuesday before the Board Meeting at 2:30 p.m.  
Tuesday before the Board Meeting at 2:00 p.m.  
Wednesday before the Board Meeting at 3:00 p.m..

BOARD OF DIRECTORS  
INDIAN WELLS VALLEY WATER DISTRICT

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SPECIAL BOARD MEETING

AGENDA

THURSDAY, JANUARY 18, 2024 - 3:00 P.M.

BOARD OF DIRECTORS' HEARING ROOM  
500 W. RIDGECREST BLVD., RIDGECREST

➤ **Watch meetings on-line:**

All District meetings are streamed live on the District's YouTube channel at:

<https://www.youtube.com/channel/UCz6pnsZsIFy9yTFVmGH2Trg>

Recordings will be available for viewing after the meeting on the District's YouTube page.

➤ **Call in for public comments:**

To make a public comment, please call: (760) 375-7548.

Callers will be placed in a queue and answered in the order they were received. If a member of the public wishes to comment on multiple items, they will need to call in as each item is presented to the Board.

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*(In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Lauren Smith at (760) 384-5502. Requests must be made as early as possible and at least one full business day before the start of the meeting. Pursuant to Government Code section 54957.5, any materials relating to an open session item on this agenda, distributed to the Board of Directors after the distribution of the agenda packet, will be made available for public inspection at the time of distribution at the following location: Indian Wells Valley Water District, 500 W. Ridgcrest Blvd., Ridgcrest, CA).*

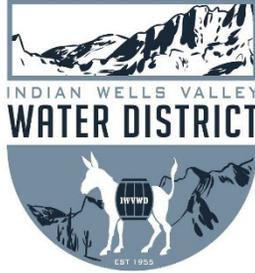
1. Call to Order
2. Pledge of Allegiance
3. Roll Call
4. Posting of Agenda Declaration
5. Conflict of Interest Declaration
6. Public Questions and Comments

*(This portion of the meeting is reserved for persons desiring to address the Board on any matter not on the agenda and over which the Board has jurisdiction. However, no action may be taken by the Board of Directors on any item not appearing on the agenda. Non-agenda speakers are asked to limit their presentation to five minutes. Public questions and comments on items listed on the agenda will be accepted at any time the item is brought forth for consideration by the Board. When you are recognized by the chairperson, please state your name and address for the record).*

7. Current Business
  1. 2024 Water Revenue Bonds

**Description:** Board consideration to adopt and approve Resolution No. 24-01 Pertaining to the Authorization, Sale and Delivery of 2024 Water Revenue Bonds Related to the Financing of the Water Transmission Pipeline Replacement Project, and Authorizing and Directing the Execution and Delivery of Required Legal Agreements

8. Adjournment



# 7.1.

## Staff Report

**Meeting Date:** January 18, 2024

**TO:** Board of Directors

**FROM:** Staff

**SUBJECT:** Adoption of Resolution Pertaining to the Authorization, Sale and Delivery of 2024 Water Revenue Bonds Related to the Financing of the Water Transmission Pipeline Replacement Project, and Authorizing and Directing the Execution and Delivery of Required Legal Agreements

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### RECOMMENDATION

Adopt Resolution No. 24:01 Approving a Non-Charter Membership Agreement and Authorizing the Forms of and Directing the Execution and Delivery of Installment Sale Agreement, Continuing Disclosure Certificate, Bond Purchase Contract and Preliminary Official Statement in connection with the Issuance of Series 2024 Water Revenue Bonds by the California Municipal Public Financing Authority; Approving the Form of the Preliminary Official Statement and the Distribution thereof; and the taking of all Necessary Actions in Connection therewith; and Providing for other Matters Properly Related thereto.

### EXECUTIVE SUMMARY

The Series 2024 Water Revenue Bonds are anticipated to generate about \$7,500,000 that will be used to finance the (i) replacement of approximately 19,400 feet of 30” diameter cement mortar lined and coated steel pipe with approximately 19,400 feet of 24” diameter fused PVC pipe, and (ii) replacement of existing appurtenances consisting of 8 in-line control valves, 13 air valves and 13 blow-offs (collectively, the “Project”). District staff, working in conjunction with bond counsel and its municipal advisor, has prepared a resolution (Attachment 1) of the City and the Authority

District staff has been working with members of the financing team to develop a financing plan that provides the lowest cost of funds at best possible terms and conditions, while at the same time ensuring timely delivery of the funds needed to construct the Project. The Financing Team includes: Bond Counsel – Cameron Weist (Weist Law); Municipal Advisor – Andrew Flynn (CalMuni Advisors) and Underwriter – Rene Moreno (FHN Financial Capital Markets).

In using the recommended financing structure, an installment sale arrangement must be established with a third-party nonprofit entity experienced in tax-exempt debt transactions in California. The California Municipal Public Financing Authority (the “Authority”) is being recommended as such independent nonprofit entity for this financing transaction.

### FINANCING STRUCTURE

The cost of the Project is proposed to be financed by the issuance of Series 2024 Water Revenue Bonds (the “Bonds”) that are scheduled to mature over a fully amortizing payback period of

not to exceed twenty-five years. The Bonds will be sold to the Underwriter pursuant to a Bond Purchase Contract (form copy of which accompanies this Staff Report). It is anticipated that the pricing (the “Pricing”) and sale of the Bonds will be completed towards the end of February. The final interest rate and aggregate principal amount of the Bonds will be determined during the Pricing and will become final upon execution of the Bond Purchase Contract. Based upon current market conditions, it is anticipated that the Bonds will bear interest at an average rate of approximately 3.5% to 4%.

A Preliminary Official Statement outlining the scope of the Project, terms and conditions of the sale of the Bonds and pertinent information relating to the District, its organizational structure, demographics, and relevant financial information has been prepared and is available for public inspection in connection with the sale of the Bonds. A copy of the Preliminary Official Statement accompanies this report for informational purposes. A copy is also on file with the Secretary.

## **SUMMARY OF RESOLUTION AND DOCUMENTS**

**Subject Resolution.** The subject resolution authorizes the installment sale financing arrangement between the District and the Authority and approves the issuance of the Bonds by the Authority. This Resolution also authorizes the forms of, and directs execution of, the various legal and financial documents described below.

**Installment Sale Agreement:** This agreement provides for the purchase of the Project from the Authority in exchange for the District’s promise to make future semi-annual Installment Payments (made from net revenues of the Water Fund) to the Authority, which are assigned to the Trustee for the payment of the Bonds. In addition to making the Installment Payments, the District covenants to acquire and construct the Project in accordance with proper plans and specifications, and then to maintain the Project throughout the term of the Installment Sale Agreement, pay taxes, if any, and to maintain various forms of insurance.

This document, among other things, provides the following:

- That the District must include Installment Payments due each Fiscal Year in each corresponding annual budget and to make the necessary annual appropriations for all such annual Installment Payments.
- That rates must be set and maintained such that annual Net Revenues equal or exceed at least 120% of (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to any outstanding Parity Obligations during such Fiscal Year.
- That the District must, at its sole cost and expense, keep and maintain the Project in good condition and repair.
- That the District must procure and maintain throughout the term of the financing, the insurance set forth in Sections 5.3 and 5.4 of the Installment Sale Agreement.

**Indenture of Trust:** This is an agreement which sets forth the covenants and specifics of the Bonds, including the pledge of Installment Payments, flow of funds, prepayment provisions, establishment and management of funds and accounts, the District, Authority and Trustee duties, repayment

mechanisms and the Bond owners' rights and remedies. The bulk of the Bond proceeds are deposited into a Project Fund maintained by the Trustee, which are disbursed by the Trustee to pay for costs of the Project in accordance with requisitions from the District.

**Preliminary Official Statement:** As a necessary prerequisite to the public marketing and selling of the Bonds, a preliminary official statement (the "Preliminary Official Statement") has been prepared by Weist Law, as Disclosure Counsel to the District, with the help of the Municipal Advisor, Underwriter and District staff. This document describes the District, the Authority, the Project, the installment sale financing arrangement, the Water Enterprise, the Bonds, the Installment Sale Agreement, the Continuing Disclosure Certificate, and the risk factors associated with an investment in the Bonds. The Preliminary Official Statement is the central source of information to potential bond buyers, and as such it is essential that the information be accurate and complete. Once the Bond Purchase Contract (described below) is executed, the final pricing detail will be used to fill in the blanks of the Preliminary Official Statement, which will then be used as the basis for the final Official Statement.

**Important Information about Securities Disclosure:** The Preliminary Official Statement has been reviewed and approved for transmittal to the Board of Directors by staff and the financing team. The Preliminary Official Statement must include all facts that would be considered material to an investor in the Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Bonds. Members of the Board of Directors are encouraged to review the Preliminary Official Statement and/or question staff and consultants to make sure they feel comfortable that it includes all material facts.

**Bond Purchase Contract:** This is an agreement among the District, Authority and the Underwriter, which provides the terms and conditions for the sale of the Bonds by the Authority to the Underwriter, and once signed, locks in the final terms and interest rates.

**Continuing Disclosure Certificate:** This is a certificate of the District to make certain secondary market disclosure – including the provision of information regarding the fiscal health of the District – on an annual basis to comply with securities regulations.

Please note that the Financing Documents are being presented to the Board as form documents, as they cannot be fully completed at this time because certain critical components such as public offering details, interest rates and annual debt service payments will depend on the state of the bond market at the time that the transaction is actually priced (i.e., sold to the Underwriter). This method of approval is the normal method of approving a bond issue in California.

## **ESTABLISHMENT OF A RATE STABILIZATION FUND**

The Installment Sale Agreement, among other things, calls for the creation of a separate fund to be known as the "Rate Stabilization Fund" that can be used to prevent covenant defaults during years when projected revenues are expected to fall short of meeting rate coverage requirements. The subject resolution authorizes and directs the establishment of a Rate Stabilization Fund for the District by designating its Emergency Reserve Fund as the "Emergency Reserve Fund – Rate Stabilization Fund" to be managed in accordance with the applicable terms and provisions of the Installment Sale Agreement, with the express understanding that the Rate Stabilization Fund is not pledged to secure

payment of the Installment Payments or the Bonds, and therefore always remains readily accessible for any District-authorized expenditure.

## **ALTERNATIVES**

1. Approve the recommendation as presented, adopt the subject resolution.
2. Do not approve but provide direction to staff.

## **FINANCIAL IMPACT**

Section 10 of the resolution includes information required to be disclosed in a meeting open to the public pursuant to SB 450. Such information includes the estimated true interest cost, finance charges, amount of proceeds received by the Authority and the District, and the total payment amount for the 2021 Bonds.

## **ATTACHMENTS**

Resolution No. 24-01  
Non-Charter Membership Agreement  
Draft Installment Sale Agreement  
Draft Indenture of Trust  
Draft Preliminary Official Statement  
Draft Bond Purchase Contract  
Draft Continuing Disclosure Certificate (attached as Appendix C to the POS)

**RESOLUTION NO. 24-01**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE INDIAN WELLS VALLEY WATER DISTRICT APPROVING A NON-CHARTER MEMBERSHIP AGREEMENT AND AUTHORIZING THE FORMS OF AND DIRECTING THE EXECUTION AND DELIVERY OF INSTALLMENT SALE AGREEMENT, CONTINUING DISCLOSURE CERTIFICATE, BOND PURCHASE CONTRACT AND PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE OF SERIES 2024 WATER REVENUE BONDS BY THE CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY; AND THE TAKING OF ALL NECESSARY ACTIONS IN CONNECTION THEREWITH; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATED THERETO**

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**WHEREAS**, it is the intent of the Indian Wells Valley Water District (the “District”) to become a Non-Charter Member of the California Municipal Public Financing Authority (the “Authority”) in order to facilitate the financing of its acquisition and construction of a water improvement project, all as more particularly described in Exhibit A to the hereinafter approved Installment Sale Agreement (the “Project”); and

**WHEREAS**, the Authority is a joint powers authority created pursuant to a Joint Exercise of Powers Agreement dated June 24, 2020 (the “JPA Agreement”), and is duly organized and existing under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code (the “Government Code”) of the State of California (the “JPA Law”), and is authorized pursuant to Article 4 of the JPA Law to, among other purposes, borrow money for the purpose of financing the capital improvement needs of the District; and

**WHEREAS**, pursuant to the Authority’s bylaws and Section 12 of the JPA Agreement, the District and Authority desire to enter into a Non-Charter Membership Agreement in the form of which has been presented to this Board and is on file with the Secretary; and

**WHEREAS**, for the purpose of providing assistance to the District in financing the Project, the District hereby requests the Authority to issue its “California Municipal Public Financing Authority (Indian Wells Valley Water District), Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project),” in the aggregate principal amount of not to exceed \$8,000,000 (the “Bonds”) pursuant to the JPA Law and an Indenture of Trust (the “Indenture”), dated as of February 1, 2024, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), the proceeds of which will be used to (a) finance the acquisition and construction of the Project, and (b) pay costs of issuance; and

**WHEREAS**, to further facilitate the issuance of the Bonds, the District and the Authority desire to enter into an Installment Sale Agreement between the District and the Authority (the “Installment Sale Agreement”), pursuant to which the District will purchase certain the Project from the Authority, and pay certain Installment Payments (as defined in the Installment Sale Agreement) to the Authority which are assigned to the Trustee pursuant to the Indenture for the repayment of the Bonds; and

**WHEREAS**, the District and the Authority desire to provide for the negotiated sale of the Bonds to FHN Financial Capital Markets, to act as underwriter (“Underwriter”) pursuant to a Bond Purchase Contract, the preliminary form of which is on file with the Secretary (the “Bond Purchase Contract”); and

**WHEREAS**, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “Rule”) requires that, in order to be able to purchase or sell the Bonds, the underwriter thereof must have reasonably determined that the District has undertaken in a written agreement or contract for the benefit of the holders of the Bonds to provide disclosure of certain financial information and certain events on an ongoing basis; and

**WHEREAS**, in order to cause such requirement of the Rule to be satisfied, the District desires to execute and deliver a Continuing Disclosure Certificate, the preliminary form of which is on file with the Secretary (the “Continuing Disclosure Certificate”); and

**WHEREAS**, a form of Preliminary Official Statement describing, among other things, the Bonds, the District, the Authority and the Project, among other things, has been prepared, which will be distributed by the Underwriter to persons and institutions interested in purchasing the Bonds, the form of which is on file with the Secretary (the “Preliminary Official Statement”); and

**WHEREAS**, the Installment Sale Agreement, among other things, calls for the creation of a separate fund to be known as the “Rate Stabilization Fund” that can be used to prevent covenant defaults during years when projected revenues are expected to fall short of meeting rate coverage requirements; and

**WHEREAS**, the Rate Stabilization Fund is not pledged to secure payment of the Installment Payments or the Bonds, and therefore always remains readily accessible for any District-authorized expenditure; and

**WHEREAS**, the Board now desires to establish such Rate Stabilization Fund by designating its Emergency Reserve Fund as the “Emergency Reserve Fund – Rate Stabilization Fund”; and

**WHEREAS**, upon execution of the Non-Charter Membership Agreement, the District will be a member of the Authority, and the Project is located within the boundaries of the District; and

**WHEREAS**, pursuant to Government Code Section 5852.1, certain good faith information relating to the Bonds is set forth herein and made public; and

**WHEREAS**, the Board of Directors desires to designate the Installment Sale Agreement and Bonds as a “Qualified Tax-Exempt Obligation” for purposes of Paragraph (3) of Section 265(b) of the Internal Revenue Code of 1986 (the “Code”); and

**WHEREAS**, the Board of Directors, with the aid of its staff, has reviewed the Installment Sale Agreement, the Preliminary Official Statement, the Continuing Disclosure Certificate and the Bond Purchase Contract (collectively, these documents are hereafter referred to as the “District Documents”), the forms of which have been presented to the Board of Directors, and are also on file with the Secretary, and the Board of Directors wishes at this time to approve the foregoing in the public interests of the District and Authority; and

**WHEREAS**, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the authorization, execution and delivery of the Bonds and District Documents authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Indian Wells Valley Water District hereby orders and determines as follows:

**Section 1. Approval of Recitals.** The Board of Directors hereby specifically finds and declares that each of the statements, findings and determinations of the District set forth in the recitals set forth above and in the preambles of the documents approved herein are true and correct.

**Section 2. Findings and Determinations.** The Board hereby specifically finds and declares that: (a) the financing of the Project will result in significant public benefits to the citizens of the District of the type that is described in Section 6586 of the JPA Law, in that having the Authority assist the District with respect to the financing of the Project through the issuance of the Bonds and related transactions will result in demonstrable savings in effective interest rate to the District and significant reductions in effective user charges levied by the District; and (b) the Project includes facilities for the production, storage and transmission of water within the meaning of Section 6586.5(c) of the JPA Law. The Board of Directors hereby further finds and determines that the useful life of the Project is not shorter than the final maturity of the Bonds.

**Section 3. Authorized Representatives.** The Board hereby specifically finds and declares that the President, Vice President, General Manager, Chief Financial Officer, Secretary and any other person authorized by the Board to act on behalf of the District shall each be an “Authorized Representative” of the District for the purpose of finalizing and executing the District Documents as well as structuring and providing for the issuance of the Bonds, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the District, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the sale of the Bonds (including the investment of proceeds of the Bonds), and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the District has approved in this Resolution.

**Section 4. Approval of Bonds.** The District hereby approves the issuance of the Bonds by the Authority.

**Section 5. Approval of Installment Sale Agreement.** The Board of Directors hereby authorizes and approves the purchase of the Project by the District pursuant to the Installment Sale Agreement. The Board of Directors hereby approves the Installment Sale Agreement in substantially the form on file with the Secretary, together with any additions thereto or changes therein as shall be approved by an Authorized Representative of the District. Any Authorized Representative of the District is hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest and affix the seal of the District to, the final form of the Installment Sale Agreement for and in the name and on behalf of the District and the execution thereof shall be conclusive evidence of the Board of Directors approval of any such additions and changes. The Board of Directors hereby authorizes the delivery and performance of the Installment Sale Agreement.

**Section 6. Approval of Bond Purchase Contract.** The Bond Purchase Contract, on file with the Secretary, is hereby approved and the Authorized Representatives are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the acceptance thereof set forth in the Bond Purchase Contract, with such changes, insertions and omissions as the Authorized Representative executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Bond Purchase Contract by such Authorized Representative. The Board of Directors hereby authorizes the delivery and performance of the Bond Purchase Contract.

**Section 7. Approval of the Preliminary Official Statement and the Official Statement.** Staff has caused the Preliminary Official Statement to be distributed to the members of the Board of Directors

and to be placed on file with the Secretary. The Board of Directors hereby approves the Preliminary Official Statement describing the Bonds, in substantially the form on file with the Secretary, together with any changes deemed necessary or advisable by an Authorized Representative to cause the preliminary Official Statement to describe accurately matters pertaining to the Bonds.

The Board of Directors hereby authorizes and directs any Authorized Representative on behalf of the District to deem the Preliminary Official Statement “final” pursuant to Rule 15c2-12 under the Rule prior to its distribution to prospective purchasers of the Bonds. The Board of Directors hereby approves and authorizes the distribution of the Preliminary Official Statement to prospective purchasers of the Bonds.

The Authorized Representatives are authorized and directed to cause the preliminary Official Statement to be brought into the form of a final Official Statement and to execute said final Official Statement, dated as of the date of the sale of the Bonds, and to certify that the facts contained in the final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Bonds, true and correct in all material respects and that the final Official Statement did not, on the date of sale of the Bonds, and does not, as of the date of delivery of the Bonds, contain any untrue statement of a material fact with respect to the District or omit to state material facts with respect to the District required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The Authorized Representatives shall take such further actions prior to the signing of the final Official Statement as are deemed necessary or appropriate to verify the accuracy thereof. The execution of the final Official Statement, which shall be in substantially the form of the Preliminary Official Statement and which shall include such changes and additions thereto deemed advisable by the Authorized Representative and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the final Official Statement by the District.

The final Official Statement, when prepared, is approved for distribution in connection with the offering and sale of the Bonds.

**Section 8. Continuing Disclosure Certificate.** The Board of Directors hereby approves the Continuing Disclosure Certificate in substantially the form on file with the Secretary, with such revisions, amendments and completions as shall be approved by any one of the Authorized Representatives. The Board of Directors hereby authorizes and directs an Authorized Representative to execute the Continuing Disclosure Certificate for and in the name of the District. Execution of the Continuing Disclosure Certificate shall be deemed conclusive evidence of the District’s approval of such additions or changes. The Board of Directors hereby authorizes the delivery and performance of the Continuing Disclosure Certificate.

**Section 9. Qualified Tax-Exempt Obligation.** The Board of Directors hereby designates the Installment Sale Agreement and the Bonds for purposes of Paragraph (3) of Section 265(b) of the Code as a “Qualified Tax-Exempt Obligation” and covenants that the Installment Sale Agreement and the Bonds do not constitute a private activity bond as defined in Section 141 of the Code and that the aggregate face amount of all tax-exempt obligations issued by the District during the calendar year 2024 is not reasonably expected to exceed \$10,000,000.

**Section 10. Good Faith Estimates.** Set forth below are good faith estimates of the Underwriter, as required under Section 5852.1 of the Government Code. The following estimates have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by this resolution:

(a) The true interest cost of the Bonds is estimated at 4.29%, calculated as provided in Section 5852.1(a)(1)(A) of the Government Code.

(b) The finance charge of the Bonds, including all fees and charges paid to third parties, is estimated at \$225,000.

(c) The estimated net proceeds to be received for the sale of the Bonds (net of finance charges, reserves and capitalized interest, if any) is \$7,525,000.

(d) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Government Code is estimated at \$12,432,850.00.

The foregoing estimates constitute good faith estimates only. The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, (f) federal tax law advice from Bond Counsel, or (g) alterations in the District's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the District based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of the sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of the sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.

**Section 11. Rating, Municipal Bond Insurance and Surety Bond.** The Authorized Representatives, each acting alone, are hereby authorized and directed to take all actions necessary to obtain a rating from Standard & Poor's, as well as a municipal bond insurance policy for the Bonds and/or a reserve account surety bond for the Bonds from a municipal bond insurance company if it is determined, upon consultation with the Underwriter and Municipal Advisor, that such municipal bond insurance policy and/or surety bond will create cost savings.

**Section 12. Establishment of a Rate Stabilization Fund.** The Board of Directors hereby authorizes and directs the establishment of a Rate Stabilization Fund for the District by designating its Emergency Reserve Fund as the "Emergency Reserve Fund – Rate Stabilization Fund" to be managed in accordance with the applicable terms and provisions of the Installment Sale Agreement, with the express understanding that the Rate Stabilization Fund is not pledged to secure payment of the Installment Payments or the Bonds, and therefore always remains readily accessible for any District-authorized expenditure.

**Section 13. Official Actions.** All actions heretofore taken by the officers and agents of the District with respect to the issuance of the Bonds are hereby approved, confirmed and ratified. The Authorized Representatives and any and all other officers of the District are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, including requisitions for the payment of costs of issuance of the Bonds, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document

or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated and confirmed in a closing certificate by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

**Section 14. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

All the foregoing being on the motion of Director \_\_\_\_ and seconded by Director \_\_\_\_, and authorized by the following vote, namely:

AYES:

NOES:

ABSTAIN:

ABSENT:

**I HEREBY CERTIFY** that the foregoing resolution is the resolution of Indian Wells Valley Water District as duly passed and adopted by said Board of Directors at a legally convened meeting held on the 18th day of January, 2024.

**WITNESS** my hand and the official seal of said Board of Directors this 18th day of January, 2024.

**ADOPTED AND APPROVED** this 18th day of January, 2024.

\_\_\_\_\_  
Ronald R. Kicinski  
President, Board of Directors  
INDIAN WELLS VALLEY WATER DISTRICT

ATTEST:

\_\_\_\_\_  
George Croll  
Secretary, Board of Directors  
INDIAN WELLS VALLEY WATER DISTRICT

(SEAL)

**NON-CHARTER MEMBERSHIP AGREEMENT**

**by and between the**

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY**

**and the**

**INDIAN WELLS VALLEY WATER DISTRICT**

This NON-CHARTER MEMBERSHIP AGREEMENT, dated as of May 1, 2023, by and between THE CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY (“CalMuni PFA”) and the INDIAN WELLS VALLEY WATER DISTRICT, a county water district duly organized and existing under the laws of the State of California (the “District”);

**W I T N E S S E T H:**

**WHEREAS**, certain public agencies of the State of California (collectively, the “Charter Members”) have entered into a Joint Powers Agreement Creating the California Municipal Public Financing Authority (the “Agreement”), establishing CalMuni PFA and prescribing its purposes and powers, and providing, among other things, for qualifying public agencies to become non-charter members of CalMuni PFA (each a “Non-Charter Member”); and

**WHEREAS**, CalMuni PFA has been formed for the purpose, among others, of exercising any powers common to the Charter and Non-Charter Members, including but not limited to acquiring, constructing, improving, operating, leasing and disposing of real property for a public purpose, all as specified in the Agreement, and to exercise the additional powers granted to it in the Act (as defined in the Agreement) and any other applicable provisions of the laws of the State of California; and

**WHEREAS**, CalMuni PFA has been established pursuant to the Agreement and the Act and is empowered to issue or execute non-recourse debt, which may include bonds, notes, commercial paper or any other evidences of indebtedness, leases, installment sale or other financing agreements or certificates of participation therein (herein “Obligations”), and to otherwise undertake financing programs under the Act or other applicable provisions of the laws of the State of California to accomplish its public purposes; and

**WHEREAS**, the District desires to become an Non-Charter Member of CalMuni PFA; and

**WHEREAS**, the Board of Directors of CalMuni PFA (the “Board”) has determined that the District should become a Non-Charter Member of CalMuni PFA; and

**NOW, THEREFORE**, in consideration of the above premises and of the mutual promises herein contained, CalMuni PFA and the District do hereby agree as follows:

**Section 1. Non-Charter Member Status.** The District is hereby made a Non-Charter Member of CalMuni PFA for all purposes of the Agreement and the Bylaws of CalMuni PFA, the provisions of which are hereby incorporated herein by this reference. From and after the date of execution and delivery of this Non-Charter Membership Agreement by the District and CalMuni PFA, the District shall be and remain a Non-Charter Member of CalMuni PFA.

**Section 2. Restrictions and Rights of the District.** The District shall not have the right, as a Non-Charter Member of CalMuni PFA, to vote on any action taken by the Board. In addition, no officer, employee or representative of the District shall have any right to become an officer or director of CalMuni PFA by virtue of this Non-Charter Membership Agreement.

**Section 3. Effect of Prior Actions.** The District hereby agrees to be subject to and bound by all actions previously taken by the Board to the same extent as the Members of CalMuni PFA are subject to and bound by such actions.

**Section 4. No Obligations of the District.** The debts, liabilities and obligations of CalMuni PFA shall not be the debts, liabilities and obligations of the District.

**Section 5. Execution of this Non-Charter Membership Agreement.** Execution of this Non-Charter Membership Agreement shall satisfy the requirements of Section 12 of the Agreement and Article VI of the Bylaws of CalMuni PFA for participation by the District in all programs and other undertakings of CalMuni PFA, including, without limitation, any undertaking to finance the acquisition, construction, installation and/or equipping of public capital improvements, and any other financing program undertaken by CalMuni PFA.

*[Signature Page to Follow on Next Page]*

IN WITNESS WHEREOF, the parties hereto have caused this Non-Charter Membership Agreement to be executed by their proper officers thereunto duly authorized, on the day and year first set forth above.

**CALIFORNIA MUNICIPAL PUBLIC  
FINANCING AUTHORITY**

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

**INDIAN WELLS VALLEY WATER DISTRICT**

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

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**INSTALLMENT SALE AGREEMENT**

**Dated as of February 1, 2024**

**by and between the**

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY,  
as Seller**

**and the**

**INDIAN WELLS VALLEY WATER DISTRICT,  
as Purchaser**

**Relating to the Purchase and Sale of the**

**WATER TRANSMISSION PIPELINE REPLACEMENT PROJECT**

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## INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT (this “Installment Sale Agreement”), dated as of February 1, 2024, is by and between the CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “Authority”), and the INDIAN WELLS VALLEY WATER DISTRICT, a county water district duly organized and existing under the laws of the State of California (the “District”);

### WITNESSETH:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of June 24, 2020, under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”), and is authorized pursuant to Article 4 (commencing with Section 6584) of the Act (the “Bond Law”) to borrow money for the purpose, among other things, of acquiring and constructing water facilities of the District, and to finance the acquisition of such facilities through the execution of installment sale agreements; and

WHEREAS, the Indian Wells Valley Water District (the “District”) owns and operates a system for the supply, treatment and distribution of water within the service area of the District (as further defined herein, the “Water Enterprise”); and

WHEREAS, the District and Mission Bank (the “Bank”) entered into an Installment Purchase Agreement, dated as of April 1, 2016, as amended by a First Amendment to Installment Purchase Agreement, dated as of December 1, 2018 (collectively, the “2016 Installment Purchase Agreement”), pursuant to which the Bank sold to the District the improvements designated in the 2016 Installment Purchase Agreement (the “2016 Project”), in the initial principal amount of \$8,000,000 (the “2016 Obligations”); and

WHEREAS, the District also entered into an Installment Sale Agreement, dated as of December 1, 2018 (the “2018 Installment Purchase Agreement”), with the Public Property Financing Corporation of California (the “Corporation”), securing the issuance of \$26,805,000 principal amount of Indian Wells Valley Water District, Series 2018 Water Revenue Certificates of Participation (the “2018 Obligations”), pursuant to a Trust Agreement, dated as of December 1, 2018 (the “2018 Trust Agreement”), by and among the Corporation, the District, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2018 Trustee”), the proceeds of which were used to finance the improvements to the Water Enterprise designated in the 2018 Installment Sale Agreement (the “2018 Project”); and

WHEREAS, the District desires that the Authority issue its “California Municipal Public Financing Authority (Indian Wells Valley Water District), Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project),” in the aggregate principal amount of \$ \_\_\_\_\_ (the “Bonds”) pursuant to the Act, the Bond Law and the Indenture (as defined herein), the proceeds of which will be used (a) to finance the acquisition and construction of improvements to the Water Enterprise which are more particularly described in Appendix A hereto (the “2024 Project”), and (b) to pay costs of issuance; and

WHEREAS, in order to provide for the repayment of the Bonds, the District will sell the 2024 Project to the Authority and the Authority will sell the 2024 Project to the District pursuant to this Installment Sale Agreement, under which the District will agree to make installment payments (the “Installment Payments”) to the Authority payable from the Net Revenues (as hereinafter defined) of the Water Enterprise which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest and premium (if any) on an allocable portion of the Bonds when due and payable; and

WHEREAS, the Installment Payments are pledged and secured on parity with installment payments due under the 2016 Installment Purchase Agreement and the 2018 Installment Sale Agreement, and any future Parity Obligations (as defined herein) (collectively, the “Parity Obligations”); and

WHEREAS, the Authority has been formed for the purpose of, among others, assisting county water districts such as the District in the financing of public benefit projects; and

WHEREAS, the Authority and the District have duly authorized the execution, delivery and performance of this Installment Sale Agreement; and

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

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.1. Definitions.** Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Installment Sale Agreement shall have the respective meanings specified in the Indenture. In addition, the following terms defined in this Section 1.1 shall, for all purposes of this Installment Sale Agreement, have the respective meanings herein specified.

“Acquisition and Construction” means, with respect to any portion of the 2024 Project, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

“Act” means the Joint Exercise of Powers Act, being Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

“Additional Payments” means the amounts payable by the District pursuant to Section 4.10.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Water Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive twelve (12) month period selected by the District, were not in service, all in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by the Certificate of an Authorized Representative of the District.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Water Enterprise which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of such Fiscal Year or such twelve (12) month period, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or twelve (12) month period, all as shown by the Certificate of an Authorized Representative of the District.

“Authority” means the California Municipal Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State, including the Act.

“Authorized Representative” means: (a) with respect to the Authority, its Chair, Vice-Chair, Treasurer, Manager or any other person designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by its Chair, Vice-Chair, Treasurer or Manager and filed with the District and the Trustee; and (b) with respect to the District, its President, Vice President, General Manager, Chief Financial Officer or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its President, Vice President, General Manager or Chief Financial Officer and filed with the Authority and the Trustee.

“Board” or “Board of Directors” means the Board of Directors of the District.

“Bond Counsel” means The Weist Law Firm, or another firm of nationally-recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“Bond Fund” means the fund by that name established pursuant to Section 5.01 of the Indenture.

“Bonds” means the California Municipal Public Financing Authority (Indian Wells Valley Water District), Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project), issued pursuant to the Indenture on February \_\_, 2024, in the aggregate principal amount of \$ \_\_\_\_\_.

“Bond Year” means each twelve-month period commencing on April 2 in a year and ending on the next succeeding April 1, both dates inclusive; except that the first Bond Year commences on the Closing Date and ends on April 1, 2024.

“Business Day” means any day other than (1) a Saturday, a Sunday, or a day on which banking institutions in the State are authorized or obligated by law or executive order to be closed, (2) a day on which

the New York Stock Exchange is authorized or obligated by law or executive order to be closed, or (3) a day on which commercial banks are authorized or obligated by law or executive order to be closed in the city in which the Corporate Trust Office of the Trustee is located.

“Certificate,” “Request” and “Requisition” of the Authority or the District mean, respectively, a written certificate, request or requisition signed in the name of the Authority by its Authorized Representative or in the name of the District on its own behalf or as agent of the Authority by the District’s Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the payment of the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986, as amended, and regulations issued thereunder.

“Completion Date” means, with respect to any component of the 2024 Project, the date on which the District or Authority files a Certificate with the Trustee stating that the Acquisition and Construction of such component of the 2024 Project has been completed pursuant to Article III of the Indenture.

“District” means the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State of California; however, any reference to District in this Installment Sale agreement shall specifically mean the Water Enterprise of the District, unless the context clearly indicates otherwise.

“Excess Investment Earnings” means an amount required to be rebated to the United States of America under Section 148(f) of the Code due to investment of gross proceeds of the Certificates at a yield in excess of the yield represented by the Bonds.

“Event of Default” means any of the events described in Section 8.1.

“Fiscal Year” means the twelve calendar month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Gross Revenues” means all gross income and revenue received, or receivable by the District, from the ownership and operation of the Water Enterprise, determined in accordance with Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing, (a) all rates, fees and charges received for, and all other income and receipts derived by, the District from the operation of the Water Enterprise or arising from the Water Enterprise, including all rates, fees and charges received by the District for the Water Enterprise service and the other services of the Water Enterprise, (b) all proceeds of insurance (if any) covering business interruptions loss relating to the Water Enterprise, (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other monies to the extent that the use of such earnings and income is limited by or pursuant to law to the Water Enterprise, including all income from the investment of amounts on deposit in the Water System Fund, the Parity Obligation Payment Fund, and the Rate Stabilization Fund, (d) the proceeds derived by the District directly or indirectly from the sale,

lease or other disposition of a part of the Water Enterprise, and (e) all other monies howsoever derived by the District from the operation of the Water Enterprise or arising from the Water Enterprise, including major facility charges; provided, that the term “Gross Revenues” shall not include contributions in aid of construction or refundable customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District.

“Indenture” means the Indenture of Trust, dated as of February 1, 2024, by and between The Bank of New York Mellon Trust Company, N.A., as Trustee, and the Authority relating to the Bonds.

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

(a) is in fact independent and not under domination of the Authority or the District;

(b) does not have any substantial interest, direct or indirect, in the Authority or the District; and

(c) is not connected with the Authority or the District as an officer or employee of the Authority or the District but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

“Installment Payment Date” means not later than three (3) Business Days prior to each April 1 and October 1, commencing not later than three (3) Business Days prior to October 1, 2024.

“Installment Payments” means the amounts payable by the District pursuant to Section 4.4, including any prepayments thereof pursuant to Article IX.

“Installment Sale Agreement” means this Installment Sale Agreement, dated as of February 1, 2024, by and between the District and the Authority relating to the 2024 Project, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

“Insurance Consultant” means any person or firm knowledgeable with respect to insurance carried by, required for and available to water districts operating facilities similar to the Water Enterprise, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

“Maximum Annual Debt Service” means with respect to the Installment Payments and all Parity Obligation Payments, as of the date of any calculation, the maximum sum obtained for the current or any future Bond Year by totaling the following amounts for such Bond Year:

(a) the aggregate principal amount of the Installment Payments and any Parity Obligation Payments coming due and payable by their terms in such Bond Year, including the principal amount required to be paid by operation of mandatory sinking fund prepayment in such Bond Year; and

(b) the amount of interest which would be due during such Bond Year on the aggregate principal amount of the Installment Payments and any Parity Obligation Payments which would be Outstanding in such Bond Year if the Installment Payments and any Parity Obligations are retired as scheduled.

Notwithstanding the foregoing, with respect to any Parity Obligations which then bear interest at a variable rate, such interest shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if such Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if such Parity Obligations have been outstanding for at least 12 months, the average rate of the 12 months immediately preceding the date of calculation, (iii)(A) if interest on such Parity Obligations is excludable from gross income under the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct United States Treasury obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a certain period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during such period.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Net Proceeds” means, when used with respect to any condemnation award or any insurance proceeds received with respect to the Water Enterprise, the amount of such condemnation award or insurance proceeds remaining after payment of all expenses (including reasonable attorneys’ fees) incurred in the collection of such award or proceeds.

“Net Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Gross Revenues during such Fiscal Year or twelve (12) calendar month period less the Operation and Maintenance Costs during such Fiscal Year or twelve (12) calendar month period; plus deposits to the Water System Fund or Bond Fund from amounts on deposit in the Rate Stabilization Fund in accordance with Section 4.7, but excluding in all cases any moneys transferred to the Rate Stabilization Fund pursuant to Section 4.5(b)(4).

“Obligations” means all Parity Obligations and all Subordinate Obligations.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid or incurred by the District for maintaining and operating the Water Enterprise, determined in accordance with Generally Accepted Accounting Principles, including but not limited to (a) costs of acquisition of water, including all associated treatment and delivery costs, to be used by the Water Enterprise, (b) costs of electricity and other forms of energy supplied to the Water Enterprise, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water Enterprise in good repair and working order, (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Water Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (e) all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and engineers, but in all cases excluding (i) debt service payable on obligations incurred by the District with respect to the Water Enterprise, including but not limited to the Installment Payments and any debt service payments made or to be made on Parity Obligations and Subordinate Obligations, (ii) costs of capital

additions, replacements, betterments, extensions or improvements which under Generally Accepted Accounting Principles, are chargeable to a capital account, and (iii) depreciation, replacement and obsolescence charges or reserves therefore and amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means FHN Financial Capital Markets, as the first purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“Owner” “Holder” “Bond Owner” or “Bond Holder,” whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Obligations” means the Bonds, the 2016 Obligations, the 2018 Obligations and future Parity Obligations payable from Net Revenues on a parity with the Parity Payments.

“Parity Payments” means all the Installment Payments and all other installment payments scheduled to be paid by the District under all Parity Obligations.

“Parity Obligation Agreement” means the installment sale agreement, indenture or other contract pursuant to which an issue of Parity Obligations was issued and secured.

“2024 Project” means the water system facilities and Improvements to be Acquired and Constructed by the Authority and sold to the District pursuant to this Installment Sale Agreement, as such water system facilities and Improvements are described in Exhibit B hereof.

“Project Costs,” means, with respect to the 2024 Project, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for or relating to the Acquisition and Construction of the Project;
- (b) obligations incurred for labor and materials in connection with the Acquisition and Construction of the Project;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the Acquisition and Construction of the Project;
- (d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper Acquisition and Construction of the Project;
- (e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Acquisition and Construction of the Project;
- (f) all Costs of Issuance and other financing costs incurred in connection with the Acquisition and Construction of the Project; and

(g) the interest components of the Installment Payments during the period of Acquisition and Construction of the Project.

“Project Fund” means the fund by that name established pursuant to Section 3.04 of the Indenture.

“Purchase Price” means the purchase price of the 2024 Project, in the aggregate principal amount of \_\_\_\_\_ Million \_\_\_\_\_ Hundred \_\_\_\_\_ Thousand Dollars (\$ \_\_\_\_\_), together with interest on the unpaid principal balance, payable in Installment Payments coming due and payable in the respective amounts and on the respective dates specified in Exhibit A.

“Rate Stabilization Fund” means the fund by that name established pursuant to Section 4.7(c) hereof.

“Rating Agencies” means, as of any date, S&P and Moody’s, and their respective corporate successors and any other nationally recognized statistical rating organization (as that term is used in the rules and regulations of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended).

“State” means the State of California.

“Subordinate Obligations” means all obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established in this Installment Sale Agreement.

“Subordinate Payments” means all installment payments scheduled to be paid by the District under all Subordinate Obligations.

“Term of this Installment Sale Agreement” means the time during which this Installment Sale Agreement is in effect, as provided in Section 4.2 hereof.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., serving as Trustee under the Indenture, or any other trust company or banking corporation which may at any time be substituted in its place as provided in the Indenture.

“Water Enterprise” means, collectively, the entire water collection, storage, treatment, transmission and distribution system now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Water Enterprise, including, but not limited to, any and all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the collection, storage, treatment, transmission and distribution system, including all contractual rights to water supply and transmission, as well as all pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, storage, treatment, transmission and distribution of water, and any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

“Water System Fund” means the District’s existing Water System Fund established and held by the District with respect to the Water Enterprise, into which all or any part of the Gross Revenues are deposited.

## ARTICLE II

### COVENANTS AND REPRESENTATIONS

**Section 2.1. Covenants and Representations of the District.** The District makes the following covenants and representations to the Authority as of the Closing Date:

(a) The District is a county water district duly organized and existing under the laws of the State, has full legal right, power and authority to enter into this Installment Sale Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action has duly authorized the execution and delivery of this Installment Sale Agreement.

(b) The representatives of the District executing this Installment Sale Agreement are fully authorized to execute the same.

(c) This Installment Sale Agreement has been duly authorized, executed and delivered by the District, and constitutes the legal, valid and binding agreement of the District, enforceable against the District in accordance with its terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) The execution and delivery of this Installment Sale Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which it or the 2024 Project are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated by this Installment Sale Agreement, or the financial condition, assets, properties, 2024 Project or operations of the Water Enterprise, including but not limited to the performance of the District's obligations under this Installment Sale Agreement.

(e) No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Installment Sale Agreement or the consummation of any transaction herein and therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the District or the Water Enterprise which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Installment Sale Agreement or upon the financial condition, assets, properties or operation of the District or Water Enterprise, and the District is not in default with respect to any order or decree of any court or any order,

regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Installment Sale Agreement, or the financial conditions, assets, properties or operations of the District or Water Enterprise, including but not limited to the performance of the District's obligations under this Installment Sale Agreement.

(g) The District has heretofore established the Water System Fund into which the District deposits and will continue to deposit all Gross Revenues, and which the District will maintain throughout the Term of this Installment Sale Agreement.

(h) There are no outstanding bonds, notes, loans, leases, installment sale agreements or other obligations issued or incurred by the District which have any security interest in or claim upon the Net Revenues, which security interest or claim is superior to the Installment Payments. Except for the 2016 Installment Purchase Agreement and the 2018 Installment Sale Agreement, each of which have a pledge of Net Revenues on a parity basis with the Installment Payments, the District has not issued or incurred any obligations payable on a parity with the pledge of the Net Revenues to the Installment Payments under this Installment Sale Agreement.

**Section 2.2. Covenants and Representations of the Authority.** The Authority makes the following covenants and representations as the basis for its undertakings herein contained:

(a) The Authority is a joint powers authority, duly organized and existing under the laws of the State. The Authority has the power to enter into the transactions contemplated by this Installment Sale Agreement and to carry out its obligations hereunder. By proper action of its governing body, the Authority has been duly authorized to execute, deliver and duly perform this Installment Sale Agreement and the Indenture.

(b) To finance the 2024 Project and the Costs of Issuance, the Authority will issue its Bonds, which will mature, bear interest and be subject to redemption as set forth in the Indenture.

(c) The Bonds will be issued under and secured by the Indenture, and pursuant thereto, certain of the Authority's interests in this Installment Sale Agreement have been assigned to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(d) The Authority is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section 2.2.

### ARTICLE III

#### ISSUANCE OF BONDS; ACQUISITION AND CONSTRUCTION OF THE 2024 PROJECT

**Section 3.1. The Bonds.** The Bonds authorized to be issued by the Authority under and subject to the Bond Law and the terms of the Indenture shall be dated the Bond Date and be designated the "California Municipal Public Financing Authority (Indian Wells Valley Water District), Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project)," and shall be issued in the initial aggregate principal amount of \_\_\_\_\_ Million \_\_\_\_\_ Hundred \_\_\_\_\_ Thousand Dollars (\$ \_\_\_\_\_).

The Authority agrees that the proceeds of sale of the Bonds shall be paid to the Trustee on the Closing Date for deposit pursuant to the terms and conditions of the Indenture. The District hereby approves the Indenture, the assignment to the Trustee of the rights of the Authority assigned under and pursuant to the Indenture, and the issuance of the Bonds by the Authority under and pursuant to the Indenture.

**Section 3.2. Plans and Specifications for the 2024 Project.** Before any payment is made for the 2024 Project or any component thereof from amounts on deposit in the Project Fund, the District shall have filed with the Authority schematic plans and specifications relating thereto. The District may from time to time file amendments to such plans and specifications with the Authority, and may thereby change or modify the description of the 2024 Project or any component thereof.

**Section 3.3. Acquisition and Construction of the 2024 Project.** The Authority hereby agrees to supervise and provide for, or cause to be supervised and provided, for the Acquisition and Construction of the 2024 Project by the District as its agent, and the District hereby agrees enter into contracts and provide for, as agent of the Authority, the complete Acquisition and Construction of the 2024 Project in accordance with plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District pursuant to all applicable requirements of law.

It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs associated with the 2024 Project or otherwise, and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Project Fund or otherwise are sufficient to cover all such costs and expenses

Direct payment of the Project Costs shall be made from amounts on deposit in the Project Fund, pursuant to Section 3.04 of the Indenture. All contracts for, and all work relating to, the Acquisition and Construction of the 2024 Project shall be subject to all applicable provisions of law relating to the acquisition and construction of public works by the District.

The District expects that the Acquisition and Construction of the 2024 Project will be completed on or before February 1, 2027; provided, however, that the failure to complete any 2024 Project by the estimated Completion Date thereof shall not constitute an Event of Default hereunder or a grounds for termination hereof, nor shall such failure result in the diminution, abatement or extinguishment of the obligations of the District hereunder to pay the Installment Payments.

The District shall have the right from time to time in its sole discretion to amend the description of the 2024 Project to be financed and sold by the Authority hereunder. In order to exercise such right, the District shall file with the Authority and the Trustee an amended Exhibit B hereto.

Upon the completion of the Acquisition and Construction of the Project or any component thereof, but in any event not later than 30 days following such completion, an Authorized Representative of the District shall execute and deliver to the Authority and the Trustee a written Certificate which (a) states that the Acquisition and Construction of the Project or such component thereof have been substantially completed, (b) identifies the total Project Costs thereof, and (c) identifies the amounts, if any, to be reserved in the accounts within the Project Fund for payment of future Project Costs.

The District understands and agrees that upon the completion of the Acquisition and Construction of the 2024 Project, the amounts, if any, on deposit in the Project Fund shall be deposited by the Trustee in the Bond Fund and the Trustee shall close the Project Fund.

**Section 3.4. Appointment of District as Agent of Authority.** The Authority hereby appoints the District as its agent to carry out all phases of the Acquisition and Construction of the 2024 Project pursuant to and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the Acquisition and Construction of the 2024 Project. The District, as agent of the Authority hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the 2024 Project.

All contracts for, and all work relating to, the Acquisition and Construction of the 2024 Project shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like projects and property by joint powers authorities and by county water districts. The District shall pay the Project Costs from amounts held by it in the accounts within the Project Fund in accordance with the provisions of this Installment Sale Agreement and the provisions of the Indenture.

## ARTICLE IV

### SALE OF 2024 PROJECT; INSTALLMENT PAYMENTS; RATE COVENANTS; PARITY OBLIGATIONS

**Section 4.1. Purchase and Sale of 2024 Project.** In consideration for the Series 2024 Installment Payments as set forth in Section 4.4, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the 2024 Project and all Improvements at the Purchase Price and upon the terms and conditions set forth in this Installment Sale Agreement.

**Section 4.2. Term.** The Term of this Installment Sale Agreement shall commence on the Closing Date, and shall end on the date on which the District shall have paid all of the Installment Payments, Additional Payments and all other amounts due and payable hereunder. The provisions of this Section 4.2 are subject in all respects to any other provisions of this Installment Sale Agreement relating to the termination hereof with respect to the 2024 Project or any portion thereof.

**Section 4.3. Title.** Upon the Completion Date of each component of the 2024 Project, title to such component shall be deemed conveyed to and vested in the District. The Authority and the District shall execute, deliver and cause to be recorded any and all documents reasonably required by the District to consummate such transfers of title.

#### **Section 4.4. Installment Payments.**

(a) **Purchase Price; Obligation to Pay.** The District shall, subject to its rights of prepayment provided in Article IX, pay to the Authority, as the Purchase Price, together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in Installment Payments coming due and payable in the respective amounts and on the respective dates specified in Exhibit A. Each Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event that the District fails to make any of the payments which are required to be made by

it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid, and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Installment Payments if paid in accordance with their terms. The Installment Payments shall be paid by the District to the Trustee, as assignee of the Authority pursuant to the Indenture.

(b) Effect of Prepayment. In the event that the District prepays all remaining Installment Payments in full pursuant to Article IX, the District's obligations under this Installment Sale Agreement shall thereupon cease and terminate, including but not limited to the District's obligation to pay Installment Payments therefor under this Section 4.4; *provided, however*, that the District's obligations to compensate and indemnify the Trustee pursuant to Sections 4.10 and 6.3 shall survive such prepayment. In the event that the District prepays the Installment Payments in part but not in whole pursuant to Section 9.2 or Section 9.3, the principal component of each succeeding Installment Payment shall be reduced as provided in such Sections, and the interest component of each remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the Bonds thereby redeemed pursuant to the applicable provisions of Section 4.01 of the Indenture.

(c) Rate on Overdue Payments. In the event the District should fail to make any of the payments required in this Section 4.4 and Section 4.10 hereof, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate, or at such other rate as may be provided in this Installment Sale Agreement and the Indenture.

(d) Assignment. The District understands and agrees that that certain rights of the Authority, including but not limited to the right of the Authority to receive payment of the Installment Payments, have been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Bonds, and the District hereby consents to such assignment. The Authority hereby directs the District, and the District hereby agrees, to pay to the Trustee at its Corporate Trust Office, all amounts payable by the District pursuant to this Section 4.4 and all amounts payable by the District pursuant to Article IX hereof.

#### **Section 4.5. Pledge and Application of Net Revenues.**

(a) Pledge and Assignment of Net Revenues. All of the Net Revenues, and all moneys on deposit in any of the Bond Fund, are hereby irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments on a parity with any Parity Obligations, and, except as otherwise provided herein, the Net Revenues shall not be used for any other purpose so long as any of the Installment Payments remain unpaid. Such pledge, charge and assignment shall constitute a lien on, and security interest in, the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof.

All Net Revenues, whether held by the District as trustee or deposited with the Trustee, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes hereinafter in this Article IV set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

(b) Deposits into Water System Fund; Transfers to Make Installment Payments. The District has heretofore established the Water System Fund, which the District agrees to continue to hold and maintain separate and apart from other funds for the purposes and uses set forth herein. All of the Gross Revenues shall be deposited by the District immediately upon receipt in the Water System Fund, which fund is hereby continued in the treasury of the District and which fund shall be maintained by the District.

The District shall, from the moneys in the Water System Fund, pay all Operation and Maintenance Costs (including amounts which are reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All remaining moneys (i.e., Net Revenues) in the Water System Fund will be held by the District in the Water System Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority hereunder) and the Bond Owners, and for the benefit of the owners of any Parity Obligations. The resulting Net Revenues shall be set aside by the District at the following times in the following respective special funds in the following order of priority, and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section:

(1) Bond Fund. On or before each Installment Payment Date, the District shall, from remaining moneys in the Water System Fund, transfer to the Trustee for deposit in the Bond Fund an amount that is equal to the interest and principal payable and coming due on the Bonds on the next succeeding Interest Payment Date. The District shall also, from the moneys in the Water System Fund, transfer to the applicable trustee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligation Agreement.

Any moneys which are on deposit in the Bond Fund on each Installment Payment Date (other than amounts that are required for the payment of past due principal or interest with respect to any Bonds not presented for payment) shall be credited to the payment of the Installment Payments due and payable on such date. No deposit need be made in the Bond Fund as Installment Payments if the amount in the Bond Fund is at least equal to the amount of the Installment Payment that is due and payable on the next succeeding Installment Payment Date.

(2) Reserve Funds. On or before each Installment Payment Date, the District shall, from remaining moneys in the Water System Fund, thereafter, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to reserve funds or accounts established for applicable Parity Obligations an amount that is equal to the amount required to be deposited therein.

(3) Subordinate Obligation Payments. After the payments contemplated by subparagraphs (1) and (2) above have been made, any amounts thereafter remaining in the Water System Fund may from time to time be used for the payment of the interest and principal payments becoming due and payable under all Subordinate Obligations and the net payments becoming due and payable respect to Subordinate Obligations; so long as the following conditions are met:

(i) all Operations and Maintenance Costs are being and have been paid and are then current; and

(ii) all deposits and payments contemplated by subparagraphs (1) and (2) above shall have been made in full and no deficiency in any reserve fund or reserve account for Parity Obligations shall exist, and there shall have been paid, or segregated within the Water System Fund and Bond Fund, the amounts currently payable pursuant to subparagraphs (1) and (2).

(4) General Expenditure; Rate Stabilization Fund. All Net Revenues remaining after paying all of the sums required to be paid hereunder by the District by the provisions of Sections 4.5(b)(1), (2) and (3) above, may be withdrawn from the Water System Fund for expenditure for any lawful purpose of the District, including (i) the payment of Additional Payments, (ii) the payment of any unsecured obligations, (iii) the acquisition and construction of extensions and betterments to the Water Enterprise, (iv) the prepayment of any obligations of the District relating to the Water Enterprise, or (v) any other lawful purposes of the District, including, but not limited to, deposits to the Rate Stabilization Fund in accordance with Section 4.7(c).

(c) Certain Necessary Transfers. The parties hereto acknowledge that although all Parity Obligations are secured equally and ratably by Net Revenues, debt service and other funds with respect to obligations other than the Bonds may be held by the Trustee or by trustees other than the Trustee under documents and agreements other than the Indenture and this Installment Sale Agreement, and the Installment Sale Agreement and the Indenture impose no obligations upon the Trustee with respect to such other obligations. The District is hereby authorized to make such transfers from the Water System Fund necessary to effectuate such Parity Obligations' parity claim on the Net Revenues contemplated hereby.

(d) Budget and Appropriation of Installment Payments. During the Term of this Installment Sale Agreement, the District shall adopt and make all necessary budgets and appropriations of the Installment Payments from the Net Revenues, and shall, upon written request of the Trustee, furnish to the Trustee a Written Certificate stating that the Installment Payments have been included in the final budget of the District for the current Fiscal Year. In the event any Installment Payment requires the adoption by the District of any supplemental budget or appropriation, the District shall promptly adopt the same. The covenants on the part of the District contained in this subsection (d) shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in this subsection (d).

**Section 4.6. Special Obligation of the District; Obligations Absolute.** The District's obligation to pay the Installment Payments, the Additional Payments and any other amounts coming due and payable hereunder shall be a special obligation of the District limited solely to the Net Revenues. Under no circumstances shall the District be required, obligated or liable to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and the Additional Payments, nor shall any other funds or property of the District be liable for the payment of the Installment Payments and the Additional Payments and any other amounts coming due and payable hereunder.

Subject to the preceding paragraph, the obligations of the District to make the Installment Payments and the Additional Payments from the Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Authority or the Trustee of any obligation to the District or otherwise with respect to the Water Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Authority. Until such time as all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the District (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in this Installment Sale Agreement, and (c) will not terminate the Term of this Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, failure to complete the 2024 Project, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water Enterprise, sale of the Water Enterprise, the taking by eminent domain of title to or temporary use of any component of the Water Enterprise, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or this Installment Sale Agreement.

Nothing contained in this Section 4.6 shall be construed to release the Authority or the Trustee from the performance of any of the agreements on its part contained herein or in the Indenture, and in the event the Authority or the Trustee shall fail to perform any such agreements, the District may institute such action against the Authority or the Trustee as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the preceding paragraph. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's rights hereunder, and in such event the Authority hereby agrees to cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Authority in such action or proceedings if the District shall so request.

#### **Section 4.7. Rates and Charges.**

(a) Covenant Regarding Gross Revenues. The District shall, to the fullest extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Water Enterprise during each Fiscal Year (together with other funds accumulated from Gross Revenues and which are lawfully available to the District for payment of any of the following amounts during such Fiscal Year), which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues which are sufficient to pay the following amounts in the following order of priority:

- (i) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;
- (ii) The Installment Payments and the principal of and interest on any Parity Obligations and Subordinate Obligations as they become due and payable during such Fiscal Year, without

preference or priority, except to the extent such Installment Payments or such principal and interest on any Parity Obligations or Subordinate Obligations are payable from the proceeds of the Bonds or Parity Obligations, or from any other source of legally available funds of the District which have been deposited with the Trustee for such purpose prior to the commencement of such Fiscal Year;

(iii) All amounts, if any, required to restore the balance any required reserve funds to the full amount of the applicable requirement; and

(iv) All Additional Payments and other payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable, from Gross Revenues during such Fiscal Year, including payments with respect to Subordinate Obligations.

(b) Covenant Regarding Net Revenues. In addition to the foregoing requirements, the District shall, to the fullest extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Water Enterprise for each Fiscal Year which are reasonably fair and nondiscriminatory and which are sufficient to yield Net Revenues for such Fiscal Year equal to at least 120% of the Maximum Annual Debt Service in such Fiscal Year; provided, an adjustment will be made to the amount of Net Revenues for deposits to or withdrawals from the Rate Stabilization Fund.

(c) Rate Stabilization Fund. There is hereby created a separate fund to be known as the “Rate Stabilization Fund,” to be held, replenished and maintained by the District. The District may, during or within 210 days after a Fiscal Year, deposit any amount of funds which are legally available therefor into the Rate Stabilization Fund. The District may at any time withdraw moneys from the Rate Stabilization Fund. Net Revenues deposited into the Rate Stabilization Fund shall not be taken into account as Net Revenues for purposes of the calculations required by the covenants in this Installment Sale Agreement relating to Net Revenue coverage in the Fiscal Year to which such deposit is attributable, and amounts withdrawn from the Rate Stabilization Fund, during or within 210 days after a Fiscal Year, may be taken into account as Net Revenues for purposes of the calculations required by such covenants in such Fiscal Year to the extent provided in the definition of “Net Revenues” in Section 1.1.

**Section 4.8. Superior and Subordinate Obligations.** The District shall not issue or incur any additional bonds or other obligations during the Term of this Installment Sale Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments. The District may at any time execute any Subordinate Obligations payable, provided that (i) no Event of Default has occurred and is continuing, and (ii) Net Revenues, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Obligations, in either case verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus (at the option of the District) the Additional Revenues, are at least equal to 100% of the amount of Maximum Annual Debt Service with respect to the Installment Payments and all Parity Obligation Payments then outstanding (including the Parity Obligations then proposed to be issued).

Nothing contained herein shall limit the ability of the District to execute obligations payable from a lien on Net Revenues that is subordinate to the lien of Net Revenues for both Parity Obligations and Subordinate Obligations contained herein.

**Section 4.9. Issuance of Parity Obligations.** The District may issue or incur other bonds, notes, loans, advances or indebtedness payable from Net Revenues on a parity with the Installment Payments to provide financing for the Water Enterprise in such principal amount as the District may determine. The District may issue or incur any Parity Obligations subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of the Parity Obligations:

(1) No Event of Default (or event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance.

(2) Net Revenues, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Obligations, in either case verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus (at the option of the District) the Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service with respect to the Installment Payments and all Parity Obligation Payments then outstanding (including the Parity Obligations then proposed to be issued).

**Section 4.10. Additional Payments.** In addition to the Installment Payments, the District shall pay when due all costs and expenses incurred by the Authority (including, but not limited to, the Authority Annual Fee) and the Trustee to comply with the provisions of the Indenture, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund) and amounts payable to the federal government pursuant to Section 6.06 of the Indenture, and shall pay to the Trustee upon request therefor all compensation for fees due to the Trustee and all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents, together with all amounts required to indemnify the Trustee and/or Authority pursuant to Section 6.3 hereof or Section 8.06 of the Indenture, and all costs and expenses of the Authority's and Trustee's attorneys, auditors, financial advisors, engineers and accountants. The rights of the Authority and Trustee and the obligations of the District under this Section 4.10 shall survive the termination of this Installment Sale Agreement and any resignation or removal of the Trustee.

**Section 4.11. Payment of Rebateable Amounts.** The District agrees to furnish all information to, and cooperate fully with, the Authority, the Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 6.08 of the Indenture. In the event that the Authority or the Trustee shall determine, pursuant to Section 6.08 of the Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, on the Bonds) to make such payment, the Authority or the Trustee shall promptly notify the District of such fact.

Upon receipt of any such notice, the District shall promptly pay to the United States of America from any source of legally available funds of the Water Enterprise, the amounts determined by the Authority or the Trustee to be due and payable to the United States of America under such Section 6.08.

## ARTICLE V

### MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

**Section 5.1. Maintenance, Utilities, Budget, Taxes and Assessments.** Throughout the Term of this Installment Sale Agreement, all improvement, repair and maintenance of the Water Enterprise shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of all Operation and Maintenance Costs and other services supplied to the Water Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Water Enterprise resulting from ordinary wear and tear. On or before the first day of each Fiscal Year, the District will file with the Trustee a budget setting forth the estimated Operation and Maintenance Costs of the Water Enterprise for such Fiscal Year. The Trustee shall not be required to review, and shall not be deemed to have knowledge of, the contents of such budget, it being understood that the Trustee shall receive and hold such budget as repository for examination and copying by any Owner at such Owner's expense.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority, the Trustee or the District, affecting the Water Enterprise or the respective interests or estates therein; *provided, however*, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of this Installment Sale Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the District that, in its opinion, by nonpayment of any such items, the interest of the Authority hereunder or under the Indenture will be materially adversely affected, in which event the District shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

**Section 5.2. Operation of Water Enterprise.** The District covenants and agrees to operate the Water Enterprise in an efficient and economical manner and to operate, maintain and preserve the Water Enterprise in good repair and working order. The District covenants that, in order to fully preserve and protect the priority and security of the Bonds, the District shall pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water Enterprise which, if unpaid, may become a lien or charge upon the Gross Revenues or the Net Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the District to pay the Installment Payments in accordance herewith.

**Section 5.3. Public Liability and Property Damage Insurance.** The District shall maintain or cause to be maintained, throughout the Term of this Installment Sale Agreement, but only if and to the extent available at reasonable cost from reputable insurers, a standard comprehensive general insurance policy or policies in protection of the Authority, the Trustee, the District, and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or

contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Water Enterprise. Said policy or policies shall provide coverage in such liability limits and shall be subject to such deductibles as shall be customary with respect to works and property of a like character. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District, subject to the provisions of Section 5.5, or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such proceeds shall have been paid.

**Section 5.4. Casualty Insurance.** The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Installment Sale Agreement, but only in the event and to the extent available from reputable insurers at reasonable cost, casualty insurance against loss or damage to any improvements constituting any part of the Water Enterprise, covering such hazards as are customarily covered with respect to works and property of like character. Such insurance may be subject to deductible clauses which are customary for works and property of a like character. Such insurance may be maintained as part of or in conjunction with any other casualty insurance carried by the District and may be maintained in whole or in part in the form of self-insurance by the District, subject to the provisions of Section 5.5, or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Water Enterprise shall be Gross Revenues and shall be used to repair, rebuild or replace such damaged or destroyed portion of the Water Enterprise or otherwise as permitted by the Installment Sale Agreement.

**Section 5.5. Insurance Premiums; Self-Insurance.** The District shall pay or cause to be paid when due the premiums for all insurance policies required by this Installment Sale Agreement. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. In the event that any insurance required pursuant to Sections 5.3 or 5.4 shall be provided in the form of self-insurance, the District shall file with the Trustee annually, within ninety (90) days following the close of each Fiscal Year, a statement of an independent actuarial consultant identifying the extent of such self-insurance and stating the determination that the District maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the District, the District shall not be obligated to make any payment with respect to any insured event except from Net Revenues or from such reserves.

**Section 5.6. Eminent Domain.** Any amounts received as awards as a result of the taking of all or any part of the Water Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, shall either (a) be used for the acquisition or construction of improvements and extension of the Water Enterprise, or (b) be applied to prepay or redeem the Installment Payments and/or any Parity Obligations, as determined by the District.

**Section 5.7. Records and Accounts.** The District shall keep proper books of record and accounts of the Water Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Water Enterprise. Said books shall, upon prior request, be subject to the reasonable inspection by the Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Bonds, or their representatives authorized in writing. The District shall cause the books and accounts of the Water Enterprise to be audited annually by an Independent Certified Public

Accountant, not more than two hundred seventy (270) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the District.

**Section 5.8. Private Activity Bond Limitation.** The District shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code, or the private loan financing test of section 141(c) of the Code.

**Section 5.9. No Arbitrage; Maintenance of Tax-Exemption.** The District shall not take, or permit or suffer to be taken by the Authority, Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the obligations of the District under this Installment Sale Agreement to be “arbitrage bonds” within the meaning of Section 148(a) of the Code. Furthermore, the District shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

**Section 5.10. Federal Guarantee Prohibition.** The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the obligations of the District under the Installment Sale Agreement to be “federally guaranteed” within the meaning of section 149(b) of the Code.

**Section 5.11. Rebate of Excess Investment Earnings to United States.** The District shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Code. The District shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Code. Such payments shall be made by the District from any source of legally available funds of the District.

The District shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this Section. In order to provide for the administration of this Section, the District may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the District may deem appropriate. The Trustee and Authority have no duty or obligation to monitor or enforce compliance by the District of any of the requirements herein.

**Section 5.12. Continuing Disclosure.** The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Installment Sale Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be an Event of Default hereunder; however, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the District to comply with its obligations under this Section 5.12.

**Section 5.13. Report to California Debt Advisory Commission.** In accordance with Section 6599.1(c) of the Government Code, the District shall notify the California Debt and Investment Advisory Commission by mail, postage prepaid, within ten (10) days if either (i) the Authority fails to pay principal and interest payable on the Bonds pursuant to the Indenture on any scheduled payment date or (ii) funds

representing all or a portion of the Reserve Requirement are withdrawn from the Reserve Fund to pay principal and interest payable pursuant to the Indenture.

**Section 5.14. Indenture Covenants.** The District hereby expressly acknowledges and agrees to undertake its covenants under the Indenture, including but not limited to, those requirements of Article XII of the Indenture, as if such covenants were made herein.

## ARTICLE VI

### DISCLAIMER OF WARRANTIES; ACCESS; COVENANTS

**Section 6.1. Disclaimer of Warranties.** The Authority makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the 2024 Project, or any other representation or warranty with respect to the 2024 Project. In no event shall the Authority be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Installment Sale Agreement or the Indenture for the existence, furnishing, functioning or District's use of the 2024 Project.

**Section 6.2. Access to the Water Enterprise.** The District agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have the right (but not a duty or obligation) at all reasonable times to enter upon and to examine and inspect the Water Enterprise. The District further agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have such rights of access to the Water Enterprise as may be reasonably necessary to cause the proper maintenance of the Water Enterprise in the event of failure by the District to perform its obligations hereunder.

**Section 6.3. Release and Indemnification Covenants.** The District shall and hereby agrees to indemnify and save the Authority and the Trustee and their respective members, officers, agents, employees, successors and assigns harmless from and against all claims, losses, liabilities, costs, expenses and damages, including legal fees and expenses, to the extent arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Water Enterprise by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Sale Agreement, (c) any negligence or willful misconduct of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Water Enterprise, (d) any act or negligence of any sublessee of the District with respect to the Water Enterprise, (e) the Acquisition and Construction of the 2024 Project, (f) the presence on, under or about, or release from, the Water Enterprise of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, (g) the offer, sale and issuance of the Bonds, or (h) the acceptance or administration of the Indenture or this Installment Sale Agreement. No indemnification is made under this Section 6.3 or elsewhere in this Installment Sale Agreement for finally adjudicated willful misconduct or gross negligence by the Authority or the Trustee, or their respective members, officers, agents, employees, successors or assigns. The provisions of this Section 6.3 shall survive the expiration of the Term of this Installment Sale Agreement and any resignation or removal of the Trustee.

**Section 6.4. Non-Liability of Authority for Water Enterprise Obligations.** The Authority and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the District incurred in connection with the Water Enterprise.

**Section 6.5. Compliance with Parity Obligations.** The District shall observe and perform all of the obligations imposed on it under any Parity Obligation Agreement pursuant to which a Parity Obligations is issued or incurred. The District shall not take any action which constitutes an event of default under and as defined in any Parity Obligation Agreement, or any action which, if not cured, with the passage of time would constitute an event of default under and as defined in any such Parity Obligation Agreement.

## ARTICLE VII

### ASSIGNMENT, SALE AND AMENDMENT

**Section 7.1. Assignment by the Authority.** The Authority's rights (but none of its duties or obligations) under this Installment Sale Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the District under this Installment Sale Agreement have been pledged and assigned to the Trustee pursuant to the Indenture, to which pledge and assignment the District hereby consents.

**Section 7.2. Assignment by the District.** Except as provided in Section 7.1, this Installment Sale Agreement may not be assigned by the District.

**Section 7.3. Sale of Water Enterprise.** Except as provided herein, the District covenants that the Water Enterprise shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the principal of or interest on the Installment Payments or any Parity Obligations, or would materially adversely affect its ability to comply with the terms of this Installment Sale Agreement. The District shall not enter into any agreement which impairs the operation of the Water Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments or any Parity Obligations, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues. If any substantial part of the Water Enterprise is sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements and extensions or replacement of Water Enterprise facilities, or (b) be applied on a pro rata basis to prepay or redeem any Parity Obligations, on a pro rata basis.

**Section 7.4. Amendment of Installment Sale Agreement.** The District and the Authority shall have the right to modify or amend this Installment Sale Agreement without the consent of any of the Bond Owners or any of the owners of Parity Obligations, but only if such amendment or modification does not cause interest represented by the Bonds to be includable in gross income for federal income tax purposes in the opinion of Bond Counsel, and only if such amendment or modification does not materially adversely affect the interests of the Owners of the Bonds or the owners of any Parity Obligations in the opinion of Bond Counsel, and only if such amendment or modification is for any one or more of the following purposes:

- (a) to provide for the issuance of Parity Obligations pursuant to Section 4.9;

(b) to add to the covenants and agreements of the District contained in this Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;

(c) to cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority, the Trustee and the District may deem necessary or desirable; or

(d) to amend any provision thereof for the purpose of complying with the applicable requirements of the Code.

## ARTICLE VIII

### EVENTS OF DEFAULT

**Section 8.1. Events of Default Defined.** The following events shall be Events of Default hereunder:

(a) Failure by the District to pay any Installment Payment when and as the same become due and payable hereunder.

(b) Failure by the District to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of sixty (60) days.

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Authority or the Trustee; *provided, however*, that if the District shall notify the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an event of default hereunder if the District shall commence to cure such failure within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence and continuation of any event of default under and as defined in the instruments authorizing the issuance or incurrence of any Parity Obligations.

**Section 8.2. Remedies on Default.** Whenever any Event of Default shall have happened and be continuing, the Trustee as assignee of the Authority shall have the right, at its option and without any further demand or notice, to take any one or more of the following actions:

(a) Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable. Notwithstanding the foregoing provisions of this subsection (a), however, if, at any time after the principal components of the unpaid Installment Payments have been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the District deposits with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and the reasonable fees and expenses of the Trustee and Authority (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good, then, and in every such case, the Trustee shall rescind and annul such declaration and its consequences. However, no such rescission and annulment extends to or affects any subsequent default, or impairs or exhausts any right or power consequent thereon. As provided in Section 8.6, the Trustee is required to exercise the remedies provided herein in accordance with the Indenture;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Installment Sale Agreement; and

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

**Section 8.3. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

**Section 8.4. Agreement to Pay Attorneys' Fees and Expenses.** In the event either party to this Installment Sale Agreement should default under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Bonds should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

**Section 8.5. No Additional Waiver Implied by One Waiver.** In the event any agreement contained in this Installment Sale Agreement should be breached by either party and thereafter waived by the other

party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

**Section 8.6. Trustee and Bond Owners to Exercise Rights.** Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Trustee under the Indenture, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture.

**Section 8.7. Rights of the Owners of Parity Obligations.** Notwithstanding anything in this Article VIII to the contrary, it is hereby acknowledged and agreed that the rights of the Trustee and the Bond Owners hereunder in and to the Net Revenues shall be exercised on a parity and proportionate basis with the rights of the owners of any Parity Obligations and any fiduciary acting for the benefit of such owners. The provisions of this Article VIII, and the provisions of any instruments authorizing the issuance of any Parity Obligations, shall be construed in accordance with the foregoing sentence.

## ARTICLE IX

### PREPAYMENT OF INSTALLMENT PAYMENTS

**Section 9.1. Security Deposit.** Notwithstanding any other provision of this Installment Sale Agreement, the District may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts, is either:

(a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under Section 4.4(a), or

(b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an Independent Certified Public Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due under Section 4.4(a).

If a security deposit is posted under this Section for the payment of all remaining Installment Payments, all obligations of the District hereunder, and the pledge of Net Revenues, and all other security provided by this Installment Sale Agreement for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from such security deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of such Installment Payments in accordance with the provisions hereof.

**Section 9.2. Optional Prepayment.** The District is hereby granted an option to prepay the principal components of the Installment Payments in whole or in part on any date on or after April 1, 20\_\_ . Such option shall be exercised by payment of a prepayment price equal to the sum of (a) the aggregate principal components of the Installment Payments to be prepaid, (b) the interest component of the Installment Payment required to be paid on or accrued to such date, and (c) the premium (if any) then required to be paid upon the corresponding prepayment of the Bonds pursuant to Section 4.01(b) of the Indenture. Such prepayment price shall be deposited by the Trustee in the Redemption Fund to be applied to the prepayment of Certificates

pursuant to Section 4.01(b) of the Indenture. If the District prepays the Installment Payments in part but not in whole, the principal components thereof shall be prepaid among such maturities and in such integral multiples of \$5,000 as the District designates in written notice to the Trustee. The District shall give the Trustee written notice of its intention to exercise its option not less than 45 days in advance of the date of exercise, or such shorter period of time as may be agreed to by the Trustee

**Section 9.3. Mandatory Prepayment from Net Proceeds.** The District shall be obligated to prepay the Installment Payments in whole or in part on any Installment Payment Date pursuant to Section 4.01(c) of the Indenture from Net Proceeds of any insurance or condemnation award theretofore to the extent required to be used to prepay Bonds and Parity Obligations pursuant to this Installment Sale Agreement or pursuant to the Indenture; and

Except in the case of such prepayment of the Installment Payments in full, such payment shall be in addition to the Installment Payment required to be paid by the District on the next Installment Payment Date. Prepayment of Bonds pursuant to this Section shall be made on a pro rata basis based on the original principal amount of each series of the Bonds and any Parity Obligations, to the extent then outstanding.

**Section 9.4. Credit for Amounts on Deposit.** In the event of prepayment of the principal components of the Installment Payments in full under this Article IX, such that the Indenture with respect to the Bonds shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

## ARTICLE X

### MISCELLANEOUS

**Section 10.1. Further Assurances.** The District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Installment Sale Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

**Section 10.2. Amendment of Indenture.** The Authority covenants that it shall take no action to amend or supplement the Indenture in any manner without obtaining the prior written consent of the District to such amendment or supplement.

**Section 10.3. Notices.** Any notice, request, complaint, demand or other communication under this Installment Sale Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon confirmed transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority: California Municipal Public Financing Authority  
2108 N Street; Suite 5030  
Sacramento, CA 95816  
Attention: Manager

If to the District: Indian Wells Valley Water District  
500 W. Ridgecrest Boulevard  
P.O. Box 1329  
Ridgecrest, California 93556-1329  
Attention: Chief Financial Officer

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.  
333 South Hope Street; Suite 2525  
Los Angeles, CA 90071  
Attention: Corporate Trust

**Section 10.4. Third Party Beneficiary.** The Trustee shall be and is hereby made an express third party beneficiary hereunder with all rights of a third party beneficiary.

**Section 10.5. Governing Law.** This Installment Sale Agreement shall be construed in accordance with and governed by the laws of the State.

**Section 10.6. Binding Effect.** This Installment Sale Agreement shall inure to the benefit of and shall be binding upon the Authority and the District, and their respective successors and assigns, subject, however, to the limitations contained herein.

**Section 10.7. Severability of Invalid Provisions.** If any one or more of the provisions contained in this Installment Sale Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Installment Sale Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Installment Sale Agreement, and this Installment Sale Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the District each hereby declares that it would have entered into this Installment Sale Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Installment Sale Agreement may be held illegal, invalid or unenforceable.

**Section 10.8. Article and Section Headings and References.** The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Installment Sale Agreement. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Installment Sale Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Installment Sale Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

**Section 10.9. Execution of Counterparts.** This Installment Sale Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

**Section 10.10. Waiver of Personal Liability.** No member of the Board of Directors, officer, agent or employee of the District shall be individually or personally liable for the payment of Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Installment Sale Agreement; but nothing herein contained shall relieve any such member of the Board of Directors, officer, agent or employee of the District from the performance of any official duty provided by law or by this Installment Sale Agreement.

*[Signature Page to Follow on Next Page]*

IN WITNESS WHEREOF, the Authority and the District have caused this Installment Sale Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

CALIFORNIA MUNICIPAL  
PUBLIC FINANCING AUTHORITY,  
as Seller

By: \_\_\_\_\_  
Issac Moreno, Chair

INDIAN WELLS VALLEY WATER DISTRICT,  
as Purchaser

By: \_\_\_\_\_  
George Croll, General Manager



## **EXHIBIT B**

### **DESCRIPTION OF 2024 PROJECT**

The 2024 Project consists of the Acquisition and Construction of a domestic water transmission pipeline replacement project, located within the unpaved, north shoulder of East Inyokern Road (SR 178) between Victor and Brady Streets just westerly of the City of Ridgecrest, Kern County, California, which includes the following:

- Replacement of approximately 16,600 feet of 30” diameter cement mortar lined and coated (CML&C) steel pipe in E. Inyokern Road from Victor Street to just west of Nolan Street with approximately 16,600 feet of 24” diameter fused PVC pipe.
- Replacement of approximately 2,800 feet of 30” diameter CML&C steel pipe in E. Inyokern Rd from just west of Primavera Street to Brady Street with approximately 2,800 ft of 24” diameter fused PVC pipe.
- Replacement of existing appurtenances consisting of 8 in-line control valves, 13 air valves and 13 blow-offs.

The 2024 Project also consists of any necessary lands, rights of way and other real or personal property useful in connection with the Acquisition and Construction thereof, together with all additions, extensions, expansions, equippings, improvements and betterments thereto. The exact description of the 2024 Project shall be made by the District by reference to the plans and specifications therefor.

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**INDENTURE OF TRUST**

**Dated as of February 1, 2024**

**by and between the**

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY**

**and**

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

**Relating to the**

**§ \_\_\_\_\_**  
**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY**  
**INDIAN WELLS VALLEY WATER DISTRICT**  
**SERIES 2024 WATER REVENUE BONDS**  
**(Water Transmission Pipeline Replacement Project)**

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## INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of February 1, 2024 (the “Indenture”), is by and between the CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”), and The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the “Trustee”).

### *WITNESSETH:*

**WHEREAS**, the Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of June 24, 2020, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”), and is authorized pursuant to Article 4 (commencing with Section 6584) of the Act (the “Bond Law”) to borrow money for the purpose of, among other things, making loans to California public agencies to facilitate the financing and refinancing of public capital improvements; and

**WHEREAS**, the Indian Wells Valley Water District (the “District”) owns and operates a system for the supply, treatment and distribution of water within the service area of the District (as further defined herein, the “Water Enterprise”); and

**WHEREAS**, the District and Mission Bank (the “Bank”) entered into an Installment Purchase Agreement, dated as of April 1, 2016, as amended by a First Amendment to Installment Purchase Agreement, dated as of December 1, 2018 (collectively, the “2016 Installment Purchase Agreement”), pursuant to which the Bank sold to the District the improvements designated in the 2016 Installment Purchase Agreement (the “2016 Project”), in the initial principal amount of \$8,000,000 (the “2016 Obligations”); and

**WHEREAS**, the District also entered into an Installment Sale Agreement, dated as of December 1, 2018 (the “2018 Installment Sale Agreement”), with the Public Property Financing Corporation of California (the “Corporation”), securing the issuance of \$26,805,000 principal amount of Indian Wells Valley Water District, Series 2018 Water Revenue Certificates of Participation (the “2018 Obligations”), pursuant to a Trust Agreement, dated as of December 1, 2018 (the “2018 Trust Agreement”), by and among the Corporation, the District, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2018 Trustee”), the proceeds of which were used to finance certain improvements to the Water Enterprise designated in the 2018 Installment Sale Agreement (the “2018 Project”); and

**WHEREAS**, the Authority proposes to issue its “California Municipal Public Financing Authority (Indian Wells Valley Water District), Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project),” in the aggregate principal amount of \$ \_\_\_\_\_ (the “Bonds”) pursuant to the Act, the Bond Law and this Indenture, the proceeds of which will be used to (a) finance the acquisition and construction of the 2024 Project (as defined herein), and (b) pay costs of issuance; and

**WHEREAS**, the Authority is selling the 2024 Project (as defined herein) to the District pursuant to the Installment Sale Agreement (the “Installment Sale Agreement”), dated as of February 1, 2024, by and between the Authority and the District, pursuant to which the District will make installment payments (the “Installment Payments”) to be payable from and secured by a pledge of and lien on the Net Revenues (as

defined herein) received by the District from the Water Enterprise, on a parity basis with payments due under the 2016 Installment Purchase Agreement, the 2018 Installment Sale Agreement and any future Parity Obligations (as defined herein) (collectively, the “Parity Obligations”); and

**WHEREAS**, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

**WHEREAS**, all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized.

**NOW, THEREFORE, THIS INDENTURE WITNESSETH**, that in order to secure the payment of the principal of and the interest and premium (if any) on all Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

## **ARTICLE I**

### **DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS**

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“Acquisition and Construction” means, with respect to any portion of the 2024 Project, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

“Act” means the Joint Exercise of Powers Act, being Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

“Additional Payments” means the payments so designated and required to be paid by the District pursuant to Section 4.10 of the Installment Sale Agreement.

“Administrative Fees and Expenses” means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee, including Additional Payments.

“Agreement” means that certain Joint Exercise of Powers Agreement, dated as of June 24, 2020, by and between the certain California public agencies creating the Authority, together with all amendments thereof and supplements thereto.

“Annual Debt Service” means, with respect to Bonds, for any Bond Year, the sum of (1) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding serial Bonds are retired as scheduled and that all Outstanding term Bonds, if any, are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), and (2) the principal amount of all Outstanding Bonds maturing by their terms in such Bond Year.

“Authority” means the California Municipal Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State, including the Act.

“Authority Issuance Fee” means \$9,500. The Authority Issuance Fee shall be paid by the District from Bond proceeds on the Closing Date.

“Authority Annual Fee” means the greater of (i) of 0.035% of the aggregate principal amount of Bonds Outstanding on the date of calculation, or (ii) \$1,450. The Authority Annual Fee is due on the Installment Payment Date preceding each Principal Payment Date, beginning with the Installment Payment Date preceding the April 1, 2025 Principal Payment Date.

“Authorized Representative” means: (a) with respect to the Authority, its Chair, Vice-Chair, Treasurer, Manager or any other person designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by its Chair, Vice-Chair, Treasurer or Manager and filed with the District and the Trustee; and (b) with respect to the District, its President, Vice President, General Manager, Chief Financial Officer or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its President, Vice President, General Manager or Chief Financial Officer and filed with the Authority and the Trustee.

“Bank” means Mission Bank, a California corporation, organized under the laws of the State of California.

“Beneficial Owner” means with respect to any book-entry bond, as provided in Section 2.03 hereof, the person who is the beneficial owner of such Bond, according to the records of the Depository or its agent, and with respect to any Bond not in book-entry form, the Owner thereof.

“Board” means the Board of Directors of the Authority.

“Bond Counsel” means The Weist Law Firm, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“Bond Fund” means the fund by that name established pursuant to Section 5.01.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4

(commencing with section 6584) of the Act, as in existence on the Closing Date or as thereafter amended from time to time.

“Bonds” means the California Municipal Public Financing Authority (Indian Wells Valley Water District) Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project), issued pursuant to this Indenture on February \_\_, 2024, in the aggregate principal amount of \$\_\_\_\_\_.

“Bond Year” means each twelve-month period extending from April 2 in one calendar year to April 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall commence on the Closing Date, and end on April 1, 20\_\_.

“Business Day” means any day other than (1) a Saturday, a Sunday, or a day on which banking institutions in the State are authorized or obligated by law or executive order to be closed, (2) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed, or (3) a day on which commercial banks are authorized or obligated by law or executive order to be closed in the city in which the Corporate Trust Office of the Trustee is located.

“CDIAC” means the California Debt and Investment Advisory Commission of the State, or any successor thereto.

“Certificate,” “Request” and “Requisition” of the Authority or the District mean, respectively, a written certificate, request or requisition signed in the name of the Authority by its Authorized Representative or in the name of the District on its own behalf or as agent of the Authority by the District’s Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the payment of the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

“Completion Date” means, with respect to any component of the 2024 Project, the date on which the Authority files a Certificate with the District and the Trustee stating that the Acquisition and Construction of such component of the 2024 Project has been completed pursuant to Article III.

“Continuing Disclosure Agreement” shall mean that certain Continuing Disclosure Agreement, dated the date of issuance and delivery of the Bonds, by and between the Authority and the Trustee, as dissemination agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Corporate Trust Office” means, with respect to the Trustee, the corporate trust office of the Trustee at its address set forth in Section 11.07; except that that for purposes of the payment, prepayment, cancellation, surrender, transfer or exchange of certificates, such term means the corporate trust office of the Trustee located in Los Angeles, California, or at such other or additional offices as may be specified by the Trustee in writing to the District.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the application of the proceeds of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the District and the Authority (including, but not limited to, the Authority Issuance Fee), initial fees and expenses of the Trustee, compensation to any financial consultants, underwriters, insurance premiums, rating agency fees, other legal fees and expenses, filing and recording costs, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.03.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts with respect to the Bonds:

(a) The principal amount of all Outstanding Serial Bonds coming due and payable by their terms in such period;

(b) The minimum principal amount of all Outstanding Term Bonds scheduled to be redeemed by operation of mandatory sinking fund deposits in such period; and

(c) The interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.03.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“District” means the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State; however, any reference to District in this Indenture shall specifically mean the Water Enterprise, unless the context clearly indicates otherwise.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any of the events specified in the Installment Sale Agreement and Section 7.01.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for

example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means: (a) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority or the District, as applicable, as its official fiscal year period.

“Improvements” means the land, improvements and other property described more fully in Exhibit B attached to the Installment Sale Agreement, and by this reference incorporated herein, as such description may be amended by the District from time to time pursuant to and in accordance with Section 3.2 of the Installment Sale Agreement. The precise identification of the Improvements or any component thereof shall be determined by reference to the plans and specifications therefor.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

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

- (a) is in fact independent and not under domination of the Authority or the District;
- (b) does not have any substantial interest, direct or indirect, in the Authority or the District; and
- (c) is not connected with the Authority or the District as an officer or employee of the Authority or the District but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, (at <http://emma.msrb.org>); provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, shall mean such other organizations providing information with respect to the Bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Installment Payment Date” means not later than three (3) Business Days prior to each April 1 and October 1, commencing not later than three (3) Business Days prior to October 1, 2024.

“Installment Payment Default Event” means any of the events specified in Section 8.1 of the Installment Sale Agreement.

“Installment Payments” means all the payments required to be paid by the District pursuant to Section 4.4 of the Installment Sale Agreement, as quantified in Exhibit A to the Installment Sale Agreement, and including any amounts payable upon delinquent installments and including any prepayment thereof.

“2016 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of April 1, 2016, by and between the District and the Bank, as amended by the as amended by a First Amendment Installment Purchase Agreement, dated as of December 1, 2018, relating to the 2016 Obligations.

“2018 Installment Sale Agreement” means the Installment Sale Agreement, dated as of December 1, 2018, by and between the District and the Corporation, relating to the 2018 Obligations.

“Installment Sale Agreement” means the Installment Sale Agreement, dated as of February 1, 2024, by and between the District and the Authority relating to the 2024 Project, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

“Installment Payments” means the Installment Payments required to be paid by the District pursuant Installment Sale Agreement, including any prepayments thereof.

“Insurance Consultant” means any person or firm knowledgeable with respect to insurance carried by, required for and available to water districts operating facilities similar to the Water Enterprise, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

“Interest Account” means the account by that name in the Bond Fund established pursuant to Section 5.02.

“Interest Payment Date” means each April 1 and October 1, commencing October 1, 2024.

“Maximum Annual Debt Service” means with respect to the Installment Payments and all Parity Obligation Payments, as of the date of any calculation, the maximum sum obtained for the current or any future Bond Year by totaling the following amounts for such Bond Year:

(a) the aggregate principal amount of the Installment Payments and any Parity Obligation Payments coming due and payable by their terms in such Bond Year, including the principal amount required to be paid by operation of mandatory sinking fund prepayment in such Bond Year; and

(b) the amount of interest which would be due during such Bond Year on the aggregate principal amount of the Installment Payments and any Parity Obligation Payments which would be Outstanding in such Bond Year if the Installment Payments and any Parity Obligations are retired as scheduled.

Notwithstanding the foregoing, with respect to any Parity Obligations which then bear interest at a variable rate, such interest shall be assumed to bear interest at the highest of: (i) the actual rate on the date of

calculation, or if such Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if such Parity Obligations have been outstanding for at least 12 months, the average rate of the 12 months immediately preceding the date of calculation, (iii)(A) if interest on such Parity Obligations is excludable from gross income under the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct United States Treasury obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a certain period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during such period.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “Moody’s” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

“Net Proceeds” means insurance proceeds or an eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Water Enterprise to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Net Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Gross Revenues during such Fiscal Year or twelve (12) calendar month period less the Operation and Maintenance Costs during such Fiscal Year or twelve (12) calendar month period; plus deposits to the Water System Fund or Bond Fund from amounts on deposit in the Rate Stabilization Fund in accordance with Section 4.7 of the Installment Sale Agreement, but excluding in all cases any moneys transferred to the Rate Stabilization Fund pursuant to Section 4.5(b)(4) of the Installment Sale Agreement.

“Nominee” means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.03(a).

“2018 Obligations” means the District’s obligations under the 2018 Installment Purchase Agreement.

“2016 Obligations” means the District’s obligations under the 2016 Installment Purchase Agreement.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid or incurred by the District for maintaining and operating the Water Enterprise, determined in accordance with Generally Accepted Accounting Principles, including but not limited to (a) costs of acquisition of water, including all associated treatment and delivery costs, to be used by the Water Enterprise, (b) costs of electricity and other forms of energy supplied to the Water Enterprise, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water Enterprise in good repair and working order, (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Water Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (e) all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and engineers, but

in all cases excluding (i) debt service payable on obligations incurred by the District with respect to the Water Enterprise, including but not limited to the Installment Payments and any debt service payments made or to be made on Parity Obligations and Subordinate Obligations, (ii) costs of capital additions, replacements, betterments, extensions or improvements which under Generally Accepted Accounting Principles, are chargeable to a capital account, and (iii) depreciation, replacement and obsolescence charges or reserves therefore and amortization of intangibles or other bookkeeping entries of a similar nature.

“Opinion of Counsel” means a written opinion of The Weist Law Firm or such other counsel of recognized national standing in the field of law relating to municipal bonds. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

“Original Purchaser” means FHN Financial Capital Markets, as the first purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“Outstanding,” when used as of any particular time with respect to the Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except:

- (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid and discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and
- (c) Bonds transferred or exchanged in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

“Overdue Rate” means the highest rate of interest represented by any of the Outstanding Bonds.

“Owner” “Holder” “Bondowner” or “Bondholder,” whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Obligations” means, collectively, the Bonds, the 2016 Obligations and the 2018 Obligations, along with any future obligations properly issued as Parity Obligations pursuant to Section 4.9 of the Installment Sale Agreement.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

1. Federal Securities.

2. Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P and Moody's.
3. Interest-bearing deposit accounts (including certificates of deposit, including those placed by a third party pursuant to a separate agreement between the Agency and the Trustee), demand deposits, time deposits, other deposit products, trust accounts, trust funds, interest bearing deposits, interest bearing money market accounts, overnight bank deposits, federal funds or bankers' acceptances in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee or any of its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P and Moody's; or (ii) such deposits are insured by the Federal Deposit Insurance Corporation.
4. Commercial paper rated in the highest short-term rating category by S&P and Moody's.
5. Federal funds, bank deposit products or bankers acceptances with a maximum term of one year of any bank which is an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P and Moody's.
6. Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAM-G, AAAM or AAM (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory, custodial, transfer agency or other management services, and for which the Trustee or its affiliate receives and retains a fee for such services to such funds).
7. Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code and which are either (a) rated A or better by S&P and Moody's, or (b) fully secured as to the payment of principal and interest by Federal Securities.
8. Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P and Moody's.
9. Bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest rating categories assigned by such rating agencies.
10. Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P and Moody's at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below A.
11. The Local Agency Investment Fund of the State or any State administered pool investment fund in which the District is statutorily permitted or required to invest.

“Principal Account” means the account by that name in the Bond Fund established pursuant to Section 5.02.

“Principal Payment Date” means each April 1, commencing April 1, 2025.

“2024 Project” means the water system facilities and Improvements to be Acquired and Constructed by the Authority and sold to the District pursuant to the Installment Sale Agreement, as such water system facilities and Improvements are described in Exhibit B of the Installment Sale Agreement.

“Project Costs,” means, with respect to the 2024 Project, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the Acquisition and Construction of the Project;

(b) obligations incurred for labor and materials in connection with the Acquisition and Construction of the Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the Acquisition and Construction of the Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper Acquisition and Construction of the Project;

(e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Acquisition and Construction of the Project;

(f) all Costs of Issuance and other financing costs incurred in connection with the Acquisition and Construction of the Project; and

(g) the interest components of the Installment Payments during the period of Acquisition and Construction of the Project.

“Project Fund” means the fund by that name established pursuant to Section 3.04.

“Proof of Ownership” means the proof of Bond ownership, as established pursuant to Section 2.10.

“Rating Agencies” means, as of any date, S&P and Moody’s, and their respective corporate successors and any other nationally recognized statistical rating organization (as that term is used in the rules and regulations of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended).

“Rebatable Arbitrage” means the amount (determinable as of the last day of each fifth Bond Year and upon retirement of the last Bond Outstanding) of arbitrage profits payable to the United States at all times and in the amounts specified in Section 148(f) of the Code and any applicable Regulations.

“Rebate Fund” means the Rebate Fund created and established pursuant to Section 5.02.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date, whether or not such 15th day is a Business Day.

“Redemption Fund” means the fund by that name established pursuant to Section 5.07.

“Registration Books” means the records maintained by the Trustee pursuant to Section 2.06 for the registration and transfer of ownership of the Bonds.

“Representation Letter” means the representation letter from the Authority to DTC.

“Revenues” means (a) all amounts received by the Authority or the Trustee pursuant to or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments payable pursuant to the Installment Sale Agreement (including both timely and delinquent payments, any late charges, and whether paid from any source, insurance proceeds and condemnation proceeds deposited in the Insurance and Condemnation Fund and prepayments of Installment Payments), but excluding any Additional Payments, (b) amounts deposited in the Reserve Fund and Bond Fund, and (c) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture except the Rebate Fund.

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099; or such other addresses and/or such other securities depositories as the Authority may designate.

“Series” whenever used herein with respect to Bonds, means all of the Bonds designated as being of the same series, 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 herein provided.

“Sinking Account” means the account by that name in the Bond Fund established pursuant to Section 5.05.

“State” means the State of California.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the

Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Certificate” means the Tax Certificate delivered by the Authority and the District on the Closing Date, as the same may be amended or supplemented in accordance with its terms.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Sections 103, 141, 148 and all related sections of the Code.

“Term Bonds” means the Bonds maturing April 1, 20\_\_, which are subject to mandatory Sinking Account redemption prior to their stated maturity dates.

“Treasurer” means the Treasurer of the Authority.

“2018 Trust Agreement” means the Trust Agreement, dated as of December 1, 2018, by and among the District, the Corporation and the 2018 Trustee, relating to the issuance of the 2018 Obligations.

“2018 Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as 2018 Trustee pursuant to the 2018 Trust Agreement.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in Section 8.01.

“Water Enterprise” means, collectively, the entire water collection, storage, treatment, transmission and distribution system now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Water Enterprise, including, but not limited to, any and all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the collection, storage, treatment, transmission and distribution system, including all contractual rights to water supply and transmission, as well as all pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, storage, treatment, transmission and distribution of water, and any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

**Section 1.02. Content of Certificates and Opinions.** Other than those certificates and opinions delivered on a Closing Date and those opinions delivered or approved by Bond Counsel, every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Authority or the District may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an Accountant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an Accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority or the District, as the case may be) upon a certificate or opinion of or representation by an officer of the Authority or the District, unless such counsel or Accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority or the District, or the same counsel or Accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel or Accountants may certify to different matters, respectively.

### **Section 1.03. Interpretation.**

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## **ARTICLE II**

### **THE BONDS**

**Section 2.01. Authorization of Bonds.** The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, that the Authority is now duly authorized, pursuant to each and every requirement of the Act, to issue the Bonds in the form and manner provided herein for the purpose of providing funds to (1) provide moneys to finance the 2024 Project, and (2) pay certain costs of issuance of the Bonds, and that the Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

**Section 2.02. Terms of the Bonds.** The Bonds authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture shall be dated the Bond Date and be designated the

“California Municipal Public Financing Authority (Indian Wells Valley Water District), Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project),” and shall be issued in the initial aggregate principal amount of \_\_\_\_\_ Million \_\_\_\_\_ Hundred \_\_\_\_\_ Thousand Dollars (\$\_\_\_\_\_).

The Bonds shall be issued in fully registered form without coupons and shall be dated as of the Closing Date. Both the principal of and interest on the Bonds shall be payable in lawful money of the United States of America. The Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof. This Indenture constitutes a continuing agreement with the Trustee and the Owners from time to time of the Bonds to secure the full payment of the principal of and interest on all the Bonds, subject to the covenants, provisions and conditions herein contained.

The Bonds shall mature on April 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

Maturity Date <u>(April 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>
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Interest on Bonds shall be payable semi-annually (calculated based on a 360-day year of twelve thirty day months) on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail to the Owner at the address of such Owner as it appears on the Registration Books; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the

aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee before the applicable Record Date. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before September 15, 2024, in which event it shall bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Principal of any Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Corporate Trust Office of the Trustee.

“CUSIP” identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the Authority or the Trustee to use such CUSIP numbers in any notice to Owners shall not constitute an Event of Default or any violation of the Authority’s contract with such Owners or the Trustee’s obligations or duties hereunder and shall not impair the effectiveness of any such notice.

### **Section 2.03. Book-Entry System.**

(a) Except as otherwise provided in subsections (b) and (c) of this Section 2.03, all of the Bonds initially issued shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the interest on any Bond registered in the name of Cede & Co. shall be made on each interest payment date for such Bonds to the account, in the manner and at the address indicated in or pursuant to the Representation Letter.

(b) The Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of such Bonds, representing the aggregate principal amount of the Bonds of such maturity. Upon initial issuance, the ownership of all such Bonds shall be registered in the registration records maintained by the Trustee pursuant to Section 2.06 hereof in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee, the Authority and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or redemption price of and interest on such Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders hereunder, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders of the Bonds and for all other purposes whatsoever; and neither the Trustee or the Authority or any paying agent shall be affected by any notice to the contrary. Neither the Trustee nor the Authority or any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 2.03, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Bondholder, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Bonds, (iii) any notice which is permitted or required to be given to Holders of Bonds hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in

the event of a partial redemption of the Bonds, or (v) any consent given or other action taken by DTC as Holder of Bonds. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the Authority's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Bonds will be transferable to such new nominee in accordance with subsection (f) of this Section 2.03.

(c) In the event that the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain bond certificates, the Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section 2.03. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice of such discontinuance to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section 2.03. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Bonds then Outstanding. In such event, the Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section 2.03, and thereafter, all references in this Trust Indenture to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as all Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such Bond and all notices with respect to each such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Trustee is hereby authorized and requested to execute and deliver the Representation Letter and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights and immunities with respect to its actions thereunder as it has with respect to its actions under this Indenture.

(f) In the event that any transfer or exchange of Bonds is authorized under subsection (b) or (c) of this Section 2.03, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.05 and 2.06 hereof. In the event Bond certificates are issued to Holders other than Cede & Co., its successor as nominee for DTC as holder of all the Bonds, another securities depository as holder of all the Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.04 and 2.05 hereof shall also apply to, among other things, the registration, exchange and transfer of the Bonds and the method of payment of principal of, premium, if any, and interest on the Bonds.

**Section 2.04. Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. The Authority and the Trustee may deem and treat the registered

owner of any Bonds as the absolute owner of such Bonds for the purpose of receiving payment thereof and for all other purposes, whether such Bonds shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Bonds shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on such Bonds to the extent of the sum or sums so paid.

The Trustee shall not be required to issue, register the transfer of or exchange any Bonds during the fifteen (15) days preceding each interest payment date or the date of selection by the Trustee of Bonds for redemption, or to register the transfer of or exchange any Bonds which have been selected for redemption in whole or in part.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee shall require the Bondowner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

**Section 2.05. Exchange of Bonds.** Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond shall not be permitted during the period established by the Trustee for selection of Bonds for redemption or by the Trustee if such Bond has been selected for redemption pursuant to Article IV. The Trustee shall require the Bondowner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

**Section 2.06. Registration Books.** The Trustee will keep or cause to be kept, sufficient records for the registration and transfer of ownership of the Bonds, which shall at all reasonable times be open to inspection during regular business hours by the Authority and the District; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

**Section 2.07. Form and Execution of Bonds.** The Bonds shall be in substantially the form set forth in Exhibit A with such modifications, additions and deletions as the Authority shall deem necessary. The Bonds shall be executed in the name and on behalf of the Authority with the manual or facsimile signature of its Chair, Vice-Chair, Executive Director or Treasurer, attested by the manual or facsimile signature of its Secretary or Treasurer. The Bonds shall then be delivered to the Trustee for authentication by it.

In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and also any Bonds may be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bonds shall be the proper officers of the Authority although at the nominal date of such Bonds any such person shall not have been such officer of the Authority.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence

that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

**Section 2.08. Temporary Bonds.** The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Corporate Trust Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

**Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor 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 cancelled by it and destroyed pursuant to its retention policy then in effect. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the District, the Authority and the Trustee and, if such evidence be satisfactory to them and indemnity satisfactory to them shall be given, the Authority, at the expense of the Owner of such lost, destroyed or stolen Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon the presentment of indemnity satisfactory to it). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.09 and of the expenses which may be incurred by the District, the Authority and the Trustee in the premises. Any Bond issued under the provisions of this Section 2.09 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

**Section 2.10. Execution of Documents and Proof of Ownership.** Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner, attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded

in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of authority.

(b) The fact of the ownership of Bonds by any person and the amount, the maturity and the numbers of such Bonds and the date of holding the same shall be proved by the Registration Books.

Nothing contained in this Section 2.10 may be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Bond binds every future Owner of the same Bond in respect of anything done or suffered to be done by the Trustee under such request or consent.

### ARTICLE III

#### ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

**Section 3.01. Issuance of the Bonds.** Upon the execution and delivery of this Indenture, the Authority shall execute and deliver the Bonds in the principal amounts set forth in Section 2.02 hereof to the Trustee for authentication and delivery to the Original Purchaser thereof upon the Request of the Authority.

**Section 3.02. Application of Proceeds of the Bonds.** On the Closing Date the Trustee hereby confirms receipt from the Underwriter of \$\_\_\_\_\_ of Bond proceeds (being the \$\_\_\_\_\_.00 aggregate principal amount of the Bonds, [plus][less] net original issue [discount][premium] of \$\_\_\_\_\_, and less Underwriter's discount of \$\_\_\_\_\_ (the "Bond Proceeds").

The Bond Proceeds shall be deposited and forthwith set aside as follows:

(a) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Costs of Issuance Fund, to be applied as provided in Section 3.03.

(c) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Project Fund, to be applied as provided in Section 3.04.

For the purpose of making any or all of the foregoing deposits, the Trustee may establish one or more temporary funds for the deposit and transfer of the proceeds of the Bonds, which the Trustee shall promptly close following the foregoing transfers.

**Section 3.03. Establishment and Application of Costs of Issuance Fund.** The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." There shall be deposited in the Costs of Issuance Fund the amounts indicated in Section 3.02(a). The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of sequentially numbered written Requisitions of the District (as agent of the Authority), substantially in the form attached hereto as Exhibit B. Upon the Request of the District as agent of the Authority, but in no event later

than 180 days after the issuance of the Bonds, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Bond Fund.

**Section 3.04. Project Fund.**

(a) The Trustee shall establish, maintain and hold in trust a separate fund to be known as the “Project Fund.” There shall be deposited in the Project Fund the amounts indicated in Section 3.02(b).

(b) Except as otherwise provided herein, moneys in the Project Fund shall be used solely for the payment of the Project Costs. The Trustee shall disburse moneys in the Project Fund from time to time to pay Project Costs (or to reimburse the Authority or the District for payment of Project Costs) upon receipt by the Trustee of a Requisition of the Authority or the District, substantially in the form attached hereto as Exhibit C, which: (A) states with respect to each disbursement to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment will be made, (iii) the amount to be disbursed, (iv) that each obligation mentioned therein is a proper charge against the Project Fund and has not previously been disbursed by the Trustee from amounts in the Project Fund, (v) that all conditions precedent set forth in the Installment Sale Agreement with respect to such disbursement have been satisfied, and (vi) that the amount of such disbursement is for a Project Cost; (B) specifies in reasonable detail the nature of the obligation; and (C) is accompanied by a bill or statement of account (if any) for each obligation.

The Trustee may conclusively rely on the information contained in any Requisition and shall have no responsibility with respect to the application of any funds disbursed in accordance with such Requisition. Upon the filing with the Trustee of a Certificate of the Authority stating that the 2024 Project has been completed or that all Requisitions intended to be filed by the Authority and the District have been filed, the Trustee shall withdraw all amounts then on deposit in the Project Fund and transfer such amounts to the Bond Fund and the Project Fund shall be closed.

**Section 3.05. Validity of Bonds.** The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Installment Sale Agreement. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

**Section 3.06. No Additional Bonds.** No Additional Bonds are permissible hereunder.

**ARTICLE IV**

**REDEMPTION OF BONDS**

**Section 4.01. Terms of Redemption.**

(a) Sinking Account Redemption. The Term Bonds maturing on April 1, 20\_\_ are subject to mandatory redemption from monies in the Sinking Account prior to their stated maturity date, at the principal amount thereof without premium on each April 1, on and after April 1, 20\_\_, in accordance with the terms of the Indenture, in the principal amounts set forth in the following schedule:

Sinking  
Payment Date  
(April 1)

Principal Amount  
to be Redeemed

In the event that the Trustee shall redeem Term Bonds in part but not in whole pursuant to subsection (b) of this Section 4.01, the amount of the Term Bonds to be redeemed in each subsequent year pursuant to this subsection (a) shall be reduced in such order as shall be determined by the Authority or of the District (as agent of the Authority).

In lieu of such redemption of Term Bonds pursuant to such schedules, amounts on deposit in the Sinking Account may also be used and withdrawn by the Trustee at any time upon the Request of the Authority or of the District (as agent of the Authority), for the purchase of applicable Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges) as Authority or of the District (as agent of the Authority) in its discretion may determine. The par amount of any Term Bonds so purchased by the Authority or of the District (as agent of the Authority) in any twelve-month period terminating sixty (60) days prior to the redemption date shall be credited towards and will reduce the par amount of applicable Term Bonds required to be redeemed on the next succeeding redemption date.

(b) Optional Redemption of Bonds. The Bonds maturing on or before April 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after April 1, 20\_\_, are subject to redemption in whole or in part in integral multiples of \$5,000, by such maturities as are selected by the Authority (or, if the Authority fails to designate such maturities, then pro rata among maturities), and randomly within a maturity, from any source of available funds (including prepayments of Installment Payments made by the District pursuant to the Installment Sale Agreement), on any date on or after April 1, 20\_\_, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

(c) Extraordinary Redemption. The Bonds are subject to mandatory redemption prior to their respective stated maturities, as a whole, or in part in the order of maturity as directed by the Authority or District in a written request provided to the Trustee and randomly within each maturity, on any date, in integral multiples of \$5,000, from and to the extent of the proceeds of disposition of Water Enterprise, Net Proceeds, or the other proceeds of hazard insurance not used to repair or rebuild the Water Enterprise, which proceeds are required to be used for such purpose pursuant to this Indenture or the Installment Sale Agreement, at a redemption price equal to the principal amount of the Bonds plus interest accrued thereon to the date fixed for redemption, without premium.

**Section 4.02. Selection of Bonds for Redemption.** Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a particular maturity, the Bonds to be redeemed are required to be selected pro rata by maturity or, at the election of the Authority or of the District (as agent of the Authority) set forth in a Request of the Authority or District, as the case may be, filed with the Trustee, from such maturities as shall be determined by the Authority or District, as the case may be; and in all cases, the Trustee shall select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption randomly within a maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

**Section 4.03. Notice of Redemption.** The Trustee, on behalf of and at the expense of the Authority, shall provide notice of redemption, mailed by first class mail, postage prepaid, not less than twenty (20) nor more than sixty (60) days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds are to be redeemed, the CUSIP numbers and Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed and, if such notice pertains to optional redemption, such notice shall state that it may be rescinded as provided in this Indenture.

Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be surrendered on such redemption date. Neither the failure to receive any notice nor any defect therein shall affect the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. Upon receipt of a written notice from the Authority, the Trustee shall mail notice of such rescission of redemption to the same recipients and in the same manner as the original notice of redemption was sent.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. Trustee shall not have any responsibility for defects or inaccuracy in CUSIP numbers.

**Section 4.04. Partial Redemption of Bonds.** Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same series and maturity date, of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

**Section 4.05. Effect of Redemption.** Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. All Bonds redeemed pursuant to the provisions of this Article shall be cancelled by the Trustee upon surrender thereof and destroyed pursuant to its retention policy then in effect.

**Section 4.06. Purchase in Lieu of Redemption.** At any time prior to the selection of Bonds for redemption, the Trustee may, upon written direction of either the Authority or the District, apply amounts held for redemption of Bonds to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest payable from the Interest Account) as either the Authority or the District may direct the Trustee, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price of such Bonds; and provided further that in the case of optional redemption, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts for redemption may be used for payment of such Bonds to be redeemed in order of their due date as set forth in a request of either the Authority or the District.

## ARTICLE V

### REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### Section 5.01. Pledge and Assignment; Bond Fund.

(a) Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to this Indenture are hereby pledged to secure the payment of the principal of, premium (if any) and interest on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge shall constitute a lien on and security interest in the Revenues and all other moneys on deposit in the funds and accounts established hereunder, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

(b) The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners, to the extent set forth herein, from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Installment Sale Agreement (except for the right to receive any Additional Payments to the extent payable to the Authority and certain rights to indemnification set forth therein). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall, subject to the provisions of Article VIII and Article XII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to

enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the Installment Sale Agreement.

(c) In order to carry out and effectuate the pledge, charge and lien contained herein, the Authority agrees and covenants that all Revenues, when and as received, shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Bond Fund” which fund is hereby created and which fund Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Installment Sale Agreement, to be deposited in either the Reserve Fund or the Redemption Fund, as the case may be, shall be promptly deposited in such Fund, as the case may be. Within the Bond Fund the Trustee shall establish and maintain a separate Interest Account and Principal Account therein. All Revenues shall be accounted for through and held in trust in the Bond Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only the right to receive Additional Payments to the extent payable to the Authority, and as otherwise herein provided. All Revenues, whether received by the Authority in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

#### **Section 5.02. Allocation of Revenues.**

(a) On each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(1) Interest Account. On each Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds, the amount of interest becoming due and payable on the mandatory sinking fund payment due on all Outstanding Term Bonds, if any, and an amount due on the next redemption date on the Bonds to be redeemed (other than pursuant to mandatory sinking fund redemption). No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture). In the event that the amounts on deposit in the Interest Account on any Interest Payment Date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee shall apply such amounts to the payment of interest on each of the Outstanding Bonds on a pro rata basis.

(2) Principal Account. On each Interest Payment Date on which the principal of the Bonds is payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, the amount of principal becoming due and payable on the mandatory sinking fund payment due on all Outstanding Term Bonds, if any, and an amount due on the next redemption date on the Bonds to be redeemed (other than pursuant to mandatory sinking fund

redemption). All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds at the maturity or sinking fund payment date thereof.

(b) If on any Interest Payment Date or date for redemption of Bonds the amount on deposit in the Bond Fund is inadequate to make the transfers described in subsection (a) above, the Trustee shall immediately notify the District of the amount needed to make the required deposits under subsection (a) above and shall transfer to the Bond Fund any amounts on deposit from the Surplus Fund, as necessary to cure such deficiency.

(c) On each Interest Payment Date after making the transfers required under subsections (a) and (b) above, upon receipt of a Request of the Authority to do so, the Trustee shall transfer from the Bond Fund to the Rebate Fund the amounts specified in such Request.

**Section 5.03. Rebate Fund.** The Rebate Fund will be administered in accordance with the provisions of the Indenture. The Rebate Fund will not be subject to the lien or encumbrance of the Indenture and will be held in trust by the Trustee for the benefit of the United States of America. The amounts deposited in the Rebate Fund will be subject to the claim of no other person, including that of the Trustee and Bondowners. Moneys transferred to the Rebate Fund pursuant to the Indenture will be used for no other purpose than to make payments to the United States Treasury, at the time and manner and in the amount and as more fully provided in the Indenture. The Trustee will be deemed conclusively to have complied with the provisions of the Indenture related to Rebateable Arbitrage if it follows the written directions of the District or Authority, and the Trustee will have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the District or the Authority with the provisions of the Indenture and the Tax Certificate with respect to Rebateable Arbitrage.

**Section 5.04. Surplus Fund.** The Surplus Fund shall be held by the Trustee. Annually, following computation and deposit of the Rebateable Arbitrage for the preceding Bond Year in the Rebate Fund (to the extent required by the Indenture) and provided there is no deficiency in the Interest Account, the Principal Account, or the Rebate Fund, any moneys in the Surplus Fund shall be released from the lien of the Indenture, not less frequently than annually, provided no Event of Default has been declared under the Indenture or the Installment Sale Agreement, the amounts on deposit in the Surplus Fund as of the conclusion of the immediately preceding Bond Year shall be transferred to the District for any lawful purpose.

If, on or before any Interest Payment Date, there is a deficiency in the Interest Account, the Principal Account, or the Rebate Fund, the Trustee shall withdraw from the Surplus Fund and deposit in such Account, in the order and in the manner set forth in Section 5.02(a), the amount necessary to remedy such deficiency and shall give written notice to the Authority of such withdrawal.

**Section 5.05. Application of Sinking Account.** The Trustee shall establish and maintain the Sinking Account, and all moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee in the manner set forth in Section 5.02(a) for the sole purpose of redeeming or purchasing (in lieu of redemption) Term Bonds pursuant to Section 4.01(a).

**Section 5.06. Authority Annual Fee.** The Trustee shall invoice the District for the Authority Annual Fee annually, and the District shall pay that amount as an Additional Payment in accordance with this Section 4.10 of the Installment Sale Agreement such that the Trustee shall remit from those Additional Payments

representing the Authority Annual Fee to the Authority when due. The District's obligation to pay the Authority Issuance Fee and the Authority Annual Fee shall in no way limit amounts payable by the District to the Authority under the Installment Sale Agreement, including for the enforcement thereof.

**Section 5.07. Application of Redemption Fund.** The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium (if any) on the Bonds to be redeemed pursuant to Section 4.01(b) or (c), provided, however, that at any time prior to giving notice of redemption of any such Bonds, the Trustee may, at the direction of the District or the Authority, apply amounts deposited or otherwise to be deposited in the Redemption Fund to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on Bonds, which is payable from the Interest Account) as shall be directed pursuant to a Request of the Authority or a Request of the District, as agent of the Authority.

**Section 5.08. Investments.** All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority pursuant to a Request of the District as agent for the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments. Moneys in the Reserve Fund shall not be invested in Permitted Investments having a maturity of more than five (5) years. In the absence of any such directions from the District as agent for the Authority, the Trustee shall invest any such moneys in the Wells Fargo Government Money Market Fund, which qualifies as Permitted Investments described in clause B(4) of the definition thereof. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. The Trustee may rely on investment instructions without further inquiry regarding qualification of the investment permitted hereunder.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund, except that interest or gain from investment or amounts in the Project Fund and Costs of Issuance Account shall be retained therein, respectively, and used for the purposes thereof, and interest or gain derived from the investment of the amount in the Reserve Fund shall be retained therein unless such amount equals the Reserve Requirement and any amount, no later than the Business Day immediately preceding each Interest Payment Date, in the Reserve Fund in excess of the Reserve Requirement shall be deposited in the Bond Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. With respect to any Permitted Investment for which the Trustee or an affiliate shall provide services, the Trustee shall be entitled to its customary fees including any investment management fees. The Trustee shall incur no liability for losses arising from any investments made in accordance with the written instructions of the Authority or the District.

The Authority (and the District by its execution of the Installment Sale Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority or the District the right to receive brokerage confirmations of security transactions as they occur, the Authority and the District will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority and the District monthly (unless some other arrangement is mutually agreed to in writing) cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

For the purpose of determining the amount in any fund or account, the value of Permitted Investments (except investment agreements) credited to such fund shall be valued at the original cost thereof (excluding any brokerage commissions and excluding any accrued interest). In making such valuations, Trustee may rely exclusively on such valuation services as may be available to Trustee, including those within its regular accounting systems.

Except as otherwise provided in the following sentence, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of Section 148 of the Code).

## ARTICLE VI

### PARTICULAR COVENANTS

**Section 6.01. Punctual Payment.** The Authority shall punctually pay or cause to be paid the principal of and interest on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

**Section 6.02. Extension of Payment of Bonds.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section 6.02 shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

**Section 6.03. Against Encumbrances.** The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created in favor of the Bonds by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

**Section 6.04. Power to Issue Bonds and Make Pledge and Assignment.** The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the

Installment Sale Agreement, the Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Installment Sale Agreement, the Revenues and other assets and all the rights of the Bondowners, under this Indenture against all claims and demands of all persons whomsoever.

**Section 6.05. Accounting Records.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Installment Sale Agreement, and all funds and accounts established pursuant to this Indenture consistent with the Trustee's record keeping practices in effect from time to time. Such books of record and account shall be available for inspection by the Authority and the District, during business hours and under reasonable circumstances. The Trustee shall deliver a monthly accounting of all funds and accounts except for any fund or account which has a zero balance and has not had any activity since the last reporting date. The Trustee shall establish such other funds and accounts as it deems necessary to carry out its duties under this Indenture.

**Section 6.06. No Additional Obligations.** The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part, except as provided herein with respect to the Bonds.

**Section 6.07. No Arbitrage.** The Authority shall not take, or permit to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

**Section 6.08. Compliance with Rebate Requirements.** The Authority shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investments earnings, if any, to the federal government.

**Section 6.09. Private Activity Bond Limitation.** The Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code, or the private loan financing test of section 141(c) of the Code.

**Section 6.10. Federal Guarantee Prohibition.** The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

**Section 6.11. Continuing Disclosure.** Pursuant to Section 5.11 of each Installment Sale Agreement, the District has undertaken all responsibility for compliance with continuing disclosure requirements with respect to the Bonds and neither the Authority nor the Trustee shall have any liability to the Owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of this Indenture, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate

or specific performance by court order. The Trustee shall have no duties or liabilities with respect to any such Continuing Disclosure Agreement.

**Section 6.12. Installment Sale Agreement.** The Trustee shall collect all amounts due from the District pursuant to the Installment Sale Agreement, and, subject to the provisions of Article VIII and Article XII, shall enforce, and take all steps, actions and proceedings provided in this Indenture and in the Installment Sale Agreement for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the District thereunder. The Authority may at any time amend the Installment Sale Agreement pursuant to Section 7.4 thereof for the purpose of providing for the issuance or incurrence of Parity Obligations without the consent of the Trustee. Except for such amendment pursuant to the preceding sentence, the Authority shall not amend, modify or terminate any of the terms of the Installment Sale Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent only if the Trustee shall receive (a) the opinion of Bond Counsel that such amendment, modification or termination is permitted under the Indenture and will not materially adversely affect the interests of the Bondowners, or (b) the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment, modification or termination.

**Section 6.13. Waiver of Laws.** The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

**Section 6.14. Further Assurances.** The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

**Section 7.01. Events of Default.** The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of or premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee; provided, however, that if in the reasonable

opinion of the Authority the default stated in the notice can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default hereunder if the Authority shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an “Event of Default” within the meaning of Section 8.1 of the Installment Sale Agreement.

**Section 7.02. Remedies Upon Event of Default.** If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall, upon notice in writing to the Authority and the District, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything else in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the District shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds, payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its attorneys, agents, and advisors) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the District and the Trustee, or the Trustee if such declaration was made by the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

**Section 7.03. Application of 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 this Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the reasonable opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including internal costs of administration and in-house counsel and reasonable fees and disbursements of its outside counsel) incurred in and about the performance of its powers and duties under this Indenture. Any such costs and expenses are deemed to be reasonable costs of administration hereunder or as required under the Federal Bankruptcy Act;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

*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 of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

**Section 7.04. Trustee to Represent Bondowners.** The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. Counsel to the Trustee is not counsel to the Bondholders and communications between the Trustee and such counsel are privileged. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondowners, the Trustee in its discretion may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, this Indenture, the Act, the Bond Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

**Section 7.05. Bondowners' Direction of Proceedings.** Anything in this Indenture to the contrary notwithstanding, but subject to Article XII, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondowners not parties to such direction or would expose the Trustee to liability.

**Section 7.06. Limitation on Bondowners' Right to Sue.** No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Sale Agreement or any applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Installment Sale Agreement or applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

**Section 7.07. Absolute Obligation of Authority.** Nothing in Section 7.06 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

**Section 7.08. Termination of Proceedings.** In case any proceedings taken by the Trustee or any one or more Bondowners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondowners, then in every such case the Authority, the Trustee and the Bondowners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bondowners shall continue as though no such proceedings had been taken.

**Section 7.09. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

**Section 7.10. No Waiver of Default.** No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such

right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

**Section 7.11. Parties Interested Herein.** Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Authority or the Trustee, their officers, employees and agents, and the Owners any right, remedy or claim under or by reason of this Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the District, the Authority or the Trustee, their officers, employees and agents, and the Owners.

## ARTICLE VIII

### THE TRUSTEE

**Section 8.01. Appointment of Trustee.** The Bank of New York Mellon Trust Company, N.A. is hereby appointed Trustee by the Authority and the District for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided herein. The District agrees that it will maintain a Trustee having a corporate trust office in California, with a reported capital and surplus of at least \$50,000,000, duly authorized to exercise trust powers and subject to supervision or examination by Federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company publishes a report of condition at least annually under law or the requirements of any supervising or examining authority above referred to then for the purpose of this Section 8.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The District and the Authority covenant that they will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Section 8.01, so long as any Bonds are Outstanding. The Trustee is hereby authorized to pay or prepay the Bonds when duly presented for payment at maturity, or on prepayment, or on purchase by the Trustee as directed by the District prior to maturity in accordance with Section 4.06, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged. The Trustee shall be compensated for its services rendered under the provisions hereof.

**Section 8.02. Acceptance of Trusts.** The Trustee hereby accepts the trusts imposed upon it hereby, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth herein, and no implied covenants or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if the repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee shall be entitled to interest on any amounts advanced by it in the performance of its duties hereunder.

(c) The Trustee is not responsible for the validity hereof or for any recital herein, or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds executed and delivered hereunder or intended to be secured hereby and the Trustee is not bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority or the District under the Installment Sale Agreement. The Trustee is not responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Article VI hereof.

(d) The Trustee is not accountable for the use or application of any Bonds or the proceeds thereof. The Trustee may be the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(e) In the absence of bad faith on its part, Trustee shall be protected in acting upon any notice, request, consent, certificate, order, requisition, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith hereunder upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds executed and delivered in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by an Authority Representative or a City Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been given notice or is deemed to have notice, as provided in Section 8.02(i), shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an Authority Representative or a City Representative to the effect that an authorization in the form therein set forth has been adopted by the Authority or the District, as the case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated here in shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee is not required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the District to make any of the Installment Payments to the Trustee required to be made by the District under the Installment Sale Agreement or failure by the Authority or the District to file with the Trustee any document required hereby or by the Installment Sale Agreement to be so filed subsequent to the delivery of the Bonds, unless the Trustee is specifically notified in writing of such default by the Authority, the District or the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding and all notices or other instruments required hereby or by the Installment Sale Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Corporate Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not the duty) to inspect the Water Enterprise including all books, papers and records of the District pertaining to the Water Enterprise and the Bonds, and to take such memoranda from and with regard thereto as may be desired.

(j) The Trustee is not required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere herein with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview hereof, the Trustee has the right, but is not required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition so that by the terms hereof required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing any right to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking any action referred to in Section 11.02 at the direction of the Bondowners, the Trustee may require that a satisfactory indemnity bond or other indemnification acceptable to the Trustee be furnished by the Bondowners, or any of them, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee has no liability for interest on any moneys received hereunder except such as may be agreed upon.

(n) The Trustee is not responsible for the sufficiency of the Installment Sale Agreement or its right to receive moneys under the Installment Sale Agreement.

(o) The Trustee is not 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 a majority in aggregate principal amount of the Outstanding Bonds 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, hereunder.

(p) The Trustee is not liable for any error of judgment made by a responsible officer of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts relating thereto.

**Section 8.03. Fees, Charges and Expenses of Trustee.** The Trustee is entitled to payment and reimbursement from the District and the Authority for reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default, but only upon such occurrence, the Trustee shall have a first lien with right of payment prior to payment on account of principal, premium, if any, and interest represented by any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

**Section 8.04. Notice to Bondowners of Default.** If an Event of Default occurs of which the Trustee has been given or is deemed to have notice, as provided in Section 8.02(i), then the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the District to make any Installment Payment when due, the Trustee may elect not to give such notice to the Bondowners if and so long as the Trustee in good faith determines that it is in the best interests of the Bondowners not to give such notice.

**Section 8.05. Removal of Trustee.** So long as no Event of Default has occurred and is continuing the District may, upon at least 30 days' prior written notice and with the consent of the Authority, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee and the Authority, and may appoint a successor or successors thereto; provided that any such successor shall be a commercial bank or trust company meeting the requirements set forth in Section 8.01.

**Section 8.06. Resignation by Trustee.** The Trustee and any successor Trustee may at any time resign by giving written notice by registered or certified mail to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall be effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the District shall mail notice thereof to the Bondowners at their respective addresses set forth on the Registration Books.

**Section 8.07. Appointment of Successor Trustee.** In the event of the removal or resignation of the Trustee under Sections 8.05 or 8.06, respectively, with the prior written consent of the District shall promptly appoint a successor Trustee. In the event the District for any reason whatsoever fails to appoint a successor Trustee within 30 days following the delivery to the Trustee of the instrument described in Section 8.05 or within 30 days following the receipt of notice by the District under Section 8.06, at the expense of the District the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 8.01. Any such successor Trustee appointed by such court shall be the successor Trustee hereunder notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such 30 day period.

**Section 8.08. Merger or Consolidation.** Any company or association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Trustee

may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under Section 8.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**Section 8.09. Concerning any Successor Trustee.** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority and the District an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall be fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Authority, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

**Section 8.10. Non-Liability of Trustee.** The recitals, statements and representations by the District and the Authority contained herein or in the Bonds shall be taken and construed as made by and on the part of the District and the Authority, as the case may be, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Water Enterprise. In no event shall the Trustee be liable for special or consequential damages in connection with or arising from the Installment Sale Agreement for the existence, furnishing or use of the Water Enterprise.

**Section 8.11. Nature of Trust Engagement.** The Trustee undertakes to perform such duties and only such duties as are specifically set forth herein and no implied covenants or obligations shall be read into the Indenture against the Trustee. In accepting the trusts hereby created, the Trustee acts solely as Trustee and not in its individual capacity and all persons, including without limitation the Bondowners, the District and the Authority having any claim against the Trustee arising from the Indenture shall look only to the funds and accounts hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations represented by the Bonds.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THE INDENTURE

**Section 9.01. Amendments Permitted Without Consent of Owners.** This Indenture and the rights and obligations of the Owners of the Bonds, and the Installment Sale Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any of the Bondowners, only to the extent permitted by law and only for any one or more of the following reasons:

- (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the District;
- (ii) to cure, correct or supplement any ambiguous or defective provision contained herein or therein;
- (iii) in any respect whatsoever in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which do not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Bonds;
- (iv) if and to the extent permitted in the opinion of Bond Counsel filed with the Trustee, the District and the Authority, to delete or modify any of the provisions hereof or thereof relating to the exemption from federal income taxation of interest represented by the Bonds; and/or
- (v) to facilitate the issuance of Parity Obligations by the District pursuant to the Installment Sale Agreement.

Any such supplemental agreement entered into under this Section will be effective upon execution and delivery by the parties hereto or thereto as the case may be.

**Section 9.02. Amendments Permitted With Consent of Owners.** Except as permitted under Section 9.01, this Indenture and the rights and obligations of the Owners of the Bonds, and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which will be effective when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 11.09, have been filed with the Trustee.

No modification or amendment under this Section 8.02 may (a) extend or have the effect of extending the fixed maturity of any Bond or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Bond, or (b) reduce or have the effect of reducing the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, without the consent of the Owners of 100% in aggregate principal amount of the Outstanding Bonds, or (c) modify any of the rights or obligations of the Trustee without its written assent thereto.

Any such supplemental agreement may not take effect unless there is filed with the Trustee the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 11.09) and the Trustee has given the notice required below. Each such consent shall be effective only if accompanied by Proof of Ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 2.10. Any such consent shall be binding upon the Owner of the Bond giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Bonds in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall take effect upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties hereto, the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60 day period.

**Section 9.03. Effect of Supplemental Agreement.** From and after the time any supplemental agreement takes effect under this Article IX, this Indenture or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Bonds Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Indenture or the Installment Sale Agreement for any and all purposes.

**Section 9.03. Endorsement of Bonds; Preparation of New Bonds.** The Trustee may determine that Bonds shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of such Owner's Bond for the purpose at the Corporate Trust Office of the Trustee, a suitable notation shall be made on such Bond. The Trustee may determine that the delivery of substitute Bonds, so modified as in the opinion of the Trustee is necessary to conform to such Bondowners' action, which substitute Bonds shall thereupon be prepared, executed and delivered at the expense of the District. In that case, upon demand of the Owner of any Bond then Outstanding, such substitute Bond shall be exchanged at the Corporate Trust Office of the Trustee, without cost to such Owner, for a Bond of the same character then Outstanding, upon surrender of such Outstanding Bond.

**Section 9.04. Amendment of Particular Bonds.** The provisions of this Article IX shall not prevent any Bondowner from accepting any amendment as to the particular Bonds held by held by such Owner, provided that proper notation thereof is made on such Bonds.

## ARTICLE X

### DEFEASANCE

**Section 10.01. Discharge of Indenture.** The Bonds, or any portion thereof, may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

(a) by paying or causing to be paid the principal of, as applicable, and interest on the Bonds, or any portion thereof, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or Federal Securities in the necessary amount (as provided in Section 10.03) to pay or redeem all Bonds, or any portion thereof then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, all of the Bonds, or any portion thereof then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the Authority under this Indenture with respect to the Bonds so paid or delivered for cancellation, as applicable, shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Request of the Authority, the Trustee shall take all such actions and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, including, without limitation, the selection by lot of the Bonds of any maturity that is to be defeased in part, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by them pursuant to this Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption to the District.

**Section 10.02. Discharge of Liability on Bonds.** Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

**Section 10.03. Deposit of Money or Securities with Trustee.** Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture (exclusive of the Project Fund) and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided

in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, all unpaid interest thereon to the redemption date and redemption premium (if any); or

(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant (the "Verification") filed with the District, the Authority and the Trustee, provide money sufficient to pay the principal of, as applicable, and all unpaid interest to maturity, or to the redemption date, and, if applicable, redemptions premium as the case may be, on the Bonds to be paid or redeemed, as such principal, interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Request of the Authority) to apply such money to the payment of such principal, interest and (if applicable) redemption premium with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Verification referred to above).

**Section 10.04. Payment of Bonds After Discharge of Indenture.** Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Authority for the payment of the interest and premium (if any) on and principal of such Bonds.

## ARTICLE XI

### MISCELLANEOUS

**Section 11.01. Liability of Authority Limited to Revenues.** Notwithstanding anything in this Indenture or in the Bonds contained, the Authority shall not be required or obligated or liable to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

**Section 11.02. Successor Is Deemed Included in All References to Predecessor.** Whenever in this Indenture the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 11.03. Limitation of Rights to Parties and Bondowners.** Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the District and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the District and the Owners of the Bonds.

**Section 11.04. Waiver of Notice; Requirement of Mailed Notice.** Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

**Section 11.05. Destruction of Bonds.** All cancelled Bonds held by the Trustee shall be destroyed and a certificate of such destruction shall be filed by the Trustee with the Authority. Whenever in this Indenture provision is made for the surrender to the Authority of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the Authority shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

**Section 11.06. Severability of Invalid Provisions.** If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

**Section 11.07. Notices.** Any notice to or demand upon the Authority, the District or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex, fax (with automatic answerback capability), or by being deposited, postage prepaid, in a post office letter box, addressed, as the case may be, to the Authority at 2108 N Street, Suite 5030, Sacramento, CA 95816, Attention: Manager (or such other address as may have been filed in writing by the Authority with the Trustee), or, to the District at P.O. Box 1329, Ridgecrest, CA 93556-1329, Attention: Chief Financial Officer (or such other address as may have been filed in writing by the District with the Trustee), or to the Trustee at its Corporate Trust Office.

**Section 11.08. Evidence of Rights of Bondowners.** Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bondowners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondowners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent

or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

**Section 11.09. Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the District, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

**Section 11.10. Payment of Bonds After Discharge.** Notwithstanding any provisions hereof, but subject to any applicable laws of the State of California relating to the escheat of funds or property, any moneys held by the Trustee for the payment of the principal or interest represented by any Bonds and remaining unclaimed for 2 years after the principal represented by all of the Bonds has become due and payable (whether at maturity or upon call for prepayment or by acceleration as provided herein), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the District free from the trusts created hereby upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost of the District) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. Any moneys so held by the Trustee shall be held uninvested.

**Section 11.11. Money Held for Particular Bonds.** The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) 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, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

**Section 11.12. Funds and Accounts.** Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof.

**Section 11.13. Waiver of Personal Liability.** No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

**Section 11.14. Execution in Several Counterparts.** This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

*[Signature Page to Follow on Next Page]*

IN WITNESS WHEREOF, the CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

CALIFORNIA MUNICIPAL  
PUBLIC FINANCING AUTHORITY

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

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

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

**EXHIBIT A**

**FORM OF BOND**

No. R-

\$ \_\_\_\_\_

**UNITED STATES OF AMERICA  
STATE OF CALIFORNIA**

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
INDIAN WELLS VALLEY WATER DISTRICT  
SERIES 2024 WATER REVENUE BONDS  
(Water Transmission Pipeline Replacement Project)**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
	April 1, 20__	February __, 2024	

REGISTERED OWNER: CEDE & CO.

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

The CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY (the “Authority”), a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of June 24, 2020, and pursuant to the provisions of Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the “Registered Owner”), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated on or before an interest payment date and after the close of business on the fifteenth day of the month preceding such interest payment date (the “Record Date”), in which event it shall bear interest from such interest payment date, or (ii) this Bond is authenticated on or before September 15, 2024, in which event it shall bear interest from the Dated Date identified above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable semiannually on April 1 and October 1 in each year, commencing October 1, 2024 (collectively, the “Interest Payment Dates”), calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., in \_\_\_\_\_, California, as trustee (the “Trustee”), or such other place as designated by the Trustee (the “Corporate Trust Office”).

Interest hereon is payable by check of the Trustee mailed by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the Record Date, or, upon written request filed with the Trustee not later than the Record Date by a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States of America designated by such Registered Owner in such written request.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "California Municipal Public Financing Authority (Indian Wells Valley Water District) Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project)," (the "Bonds"), in an aggregate principal amount of \_\_\_\_\_ Million \_\_\_\_\_ Hundred \_\_\_\_\_ Thousand Dollars (\$ \_\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of Article 4 (commencing with Section 6584) of the Act (the "Bond Law") and pursuant to an Indenture of Trust, dated as of February 1, 2024, by and between the Authority and the Trustee (the "Indenture"), and a resolution of the Board of Directors of the Authority adopted on January \_\_, 2024, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues (as defined in the Indenture), and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to aid in financing of certain water facilities and Improvements to be sold to the District pursuant to an Installment Sale Agreement, dated as of February 1, 2024, by and between the Authority and the District (the "Installment Sale Agreement").

Reference is hereby made to the Installment Sale Agreement (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the provisions with regard to the nature and extent of the Installment Payments, as that term is defined in the Installment Sale Agreement, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

This Bond and the interest hereon and all other Bonds and the interest thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by a charge and lien on the Revenues (as defined in the Indenture) consisting primarily of installment payments (collectively, the "Installment Payments") to be made by the District under the Installment Sale Agreement. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest on the Bonds. Notwithstanding the foregoing, in accordance with the Indenture, certain of the Revenues may be applied for other purposes as provided in the Indenture.

Sinking Fund Redemption of Bonds. The Term Bonds maturing on April 1, 20\_\_ are subject to mandatory redemption from monies in the Sinking Account prior to their stated maturity date, at the principal amount thereof without premium on each April 1, on and after April 1, 20\_\_, in accordance with the terms of the Indenture, in the principal amounts set forth in the following schedule:

Sinking  
Payment Date  
(April 1)

Principal Amount  
to be Redeemed

In the event that the Trustee shall redeem Term Bonds in part but not in whole pursuant to Section 4.01(b) of the Indenture, the amount of the Term Bonds to be redeemed in each subsequent year pursuant to this subsection (a) shall be reduced in such order as shall be determined by the Authority or of the District (as agent of the Authority).

Optional Redemption. The Bonds maturing on or before April 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after April 1, 20\_\_, are subject to redemption in whole or in part in integral multiples of \$5,000, by such maturities as are selected by the Authority (or, if the Authority fails to designate such maturities, then pro rata among maturities), and randomly within a maturity, from any source of available funds (including prepayments of Installment Payments made by the District pursuant to the Installment Sale Agreement), on any date on or after April 1, 20\_\_, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption.

Extraordinary Redemption from Insurance and Condemnation Proceeds. The Bonds are subject to redemption prior to their respective stated maturities, as a whole, or in part in the order of maturity as directed by the Authority or District in a written request provided to the Trustee and randomly within each maturity, on any Interest Payment Date, in integral multiples of \$5,000, from Net Proceeds of casualty insurance or a condemnation award upon the terms and conditions of, and as provided for in, the Indenture and the Installment Sale Agreement, at a prepayment price equal to the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

As provided in the Indenture, notice of redemption shall be mailed by first class mail not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption. If such notice pertains to redemption of Bonds at the option of the Authority, such notice of redemption may be rescinded by the Authority, as provided in the Indenture.

The Authority will have the right to rescind any optional redemption by written notice of rescission. The Trustee is required to mail notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

The Bonds are issuable only as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, fully registered Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount and maturity of fully registered Bonds of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange therefor. This Bond may be exchanged at the Corporate Trust Office of the Trustee for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

This Bond is not a debt, liability or obligation of the District, the County of Kern, the State of California, or any of its political subdivisions, and neither said District, said County, said State, nor any of its political subdivisions, is liable or responsible hereon nor in any event shall this Bond be payable out of any funds or properties other than the Revenues.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond exist, have happened or have been performed in due and regular time, form and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Certificate of Authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the California Municipal Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Chair and attested to by the facsimile signature of its Treasurer or Secretary, all as of February \_\_, 2024.

CALIFORNIA MUNICIPAL  
PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Chair

Attest:

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

**(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)**

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

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

The Bank of New York Mellon Trust Company, N.A.,  
as Trustee

By \_\_\_\_\_  
Authorized Signatory

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

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(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signature Guaranteed: \_\_\_\_\_

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Note: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

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Note: Signature(s) must be guaranteed by an eligible guarantor.

**EXHIBIT B**

**§ \_\_\_\_\_  
CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
INDIAN WELLS VALLEY WATER DISTRICT  
SERIES 2024 WATER REVENUE BONDS  
(Water Transmission Pipeline Replacement Project)**

**FORM OF REQUISITION  
FOR DISBURSEMENT FROM COSTS OF ISSUANCE FUND**

The undersigned, as General Manager of the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State of California (the “District”), as agent for the California Municipal Public Financing Authority (the “Authority”), in connection with the issuance, sale and delivery by the Authority of the above-captioned \$ \_\_\_\_\_ aggregate principal amount of the California Municipal Public Financing Authority (Indian Wells Valley Water District), Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project) (the “Bonds”), issued in accordance with the Indenture, dated as of February 1, 2024 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as the trustee named therein (the “Trustee”), does hereby certify that:

(i) the undersigned is a duly Authorized Representative (as defined in the Indenture) with authority to act on behalf of the District and Authority as necessary in connection with issuance and delivery of the Bonds, and as such, is authorized to disburse money from the Costs of Issuance Fund for the Bonds (the “Costs of Issuance Fund”);

(ii) an obligation in the not-to-exceed amount stated for each of the payees set forth on Exhibit “A” has been properly incurred under and pursuant to the Indenture and each such obligation is a proper charge against the Costs of Issuance Fund;

(iii) that pursuant to the Indenture, the undersigned, on behalf of the District and the Authority, hereby requests the Trustee to disburse from the Costs of Issuance Fund to the payees set forth on Exhibit A attached hereto, upon receipt of an invoice, an amount not to exceed the sum set forth opposite each such payee, for the purpose identified therein; and

(iv) all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in Exhibit A attached hereto or in invoices submitted in accordance herewith, and the Trustee may rely on such payment instructions as though given by the District and the Authority, with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein.

Dated: February \_\_, 2024

**INDIAN WELLS VALLEY WATER DISTRICT**

By: \_\_\_\_\_  
Authorized Representative

**EXHIBIT C**

**§ \_\_\_\_\_**  
**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY**  
**INDIAN WELLS VALLEY WATER DISTRICT**  
**SERIES 2024 WATER REVENUE BONDS**  
**(Water Transmission Pipeline Replacement Project)**

**FORM OF REQUISITION**  
**FOR DISBURSEMENT FROM PROJECT FUND**

The undersigned, as General Manager of the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State of California (the “District”), as agent for the California Municipal Public Financing Authority (the “Authority”), in connection with the issuance, sale and delivery by the Authority of the above-captioned \$ \_\_\_\_\_ aggregate principal amount of the California Municipal Public Financing Authority (Indian Wells Valley Water District), Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project) (the “Bonds”), issued in accordance with the Indenture, dated as of February 1, 2024 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as the trustee named therein (the “Trustee”), does hereby certify that:

(i) the undersigned is a duly Authorized Representative (as defined in the Indenture) with authority to act on behalf of the District and Authority as necessary in connection with disbursements of Project Costs, and as such, is authorized to disburse money from the Project Fund for the Bonds (the “Project Fund”);

(ii) an obligation in the not-to-exceed amount stated for each of the payees set forth on Exhibit “A” has been properly incurred as a Project Cost under and pursuant to the Indenture, and each such obligation is a proper charge against the Project Fund;

(iii) no amount set forth in the requisition was included in any requisition requesting disbursement previously filed with the Trustee pursuant to Section 3.04 of the Indenture;

(iv) that all conditions precedent set forth in the Installment Sale Agreement (as defined in the Indenture) with respect to such disbursement have been satisfied;

(v) that pursuant to the Indenture, the undersigned, on behalf of the District and the Authority, hereby requests the Trustee to disburse from the Project Fund to the payees set forth on Exhibit A attached hereto, upon receipt of an invoice, an amount not to exceed the sum set forth opposite each such payee, for the purpose identified therein; and

(vi) there has not been filed with or served upon the District a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person named in this Requisition which has not been released or will not be released with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of laws.

(vii) all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in Exhibit A attached hereto or in invoices submitted in accordance herewith, and the Trustee may rely on such payment instructions as though given by the District and the Authority, with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein.

Dated: February \_\_, 2024

**INDIAN WELLS VALLEY WATER DISTRICT**

By: \_\_\_\_\_  
Authorized Representative

*In the opinion of The Weist Law Firm, Los Gatos, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and judicial decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and requirements, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.*

§ \_\_\_\_\_ \*

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
INDIAN WELLS VALLEY WATER DISTRICT  
SERIES 2024 WATER REVENUE BONDS  
(Water Transmission Pipeline Replacement Project)**

**Dated: Date of Delivery**

**Due: April 1, as shown on the inside cover page**

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the purchase of the Bonds. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.*

The above-captioned § \_\_\_\_\_ \* aggregate principal amount of Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project) (the “Bonds”) are being issued by the California Municipal Public Financing Authority (the “Authority”) pursuant to an Indenture of Trust, dated as of February 1, 2024 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds will bear interest at the rate or rates shown on the Maturity Schedule set forth on the inside front cover hereof, payable semiannually on April 1 and October 1 of each year (each an “Interest Payment Date”), commencing October 1, 2024.

The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Individual purchases of Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased, but will receive a credit balance in the records of DTC. Principal of and interest on the Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal of and interest on the Bonds, DTC is obligated in turn to remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursement to purchasers of the Bonds, as described herein. See “APPENDIX F – INFORMATION REGARDING THE BOOK-ENTRY ONLY SYSTEM.”

The Bonds are special obligations of the Authority payable from the Revenues (defined herein) pledged under the Indenture, consisting primarily of installment payments (the “Installment Payments”) to be made by the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State of California (the “District”) under an installment sale agreement, dated as of February 1, 2024, by and between the Authority and the District (the “Installment Sale Agreement”). The Installment Payments are secured by a pledge of and lien on the net revenues of the District’s municipal water enterprise (the “Water Enterprise”).

**The Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption prior to maturity as described herein.\* See “THE BONDS – Redemption Provisions” herein.**

The Bonds are being issued to (i) finance the acquisition and construction of certain new improvements and facilities which will constitute part of the Water Enterprise, and (ii) pay the costs of issuance incurred in connection with the issuance, sale and delivery of the Bonds. See “THE FINANCING PLAN” herein.

See “RISK FACTORS” for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds. For a discussion of some of the risks associated with the purchase of the Bonds, see “RISK FACTORS” and “CONSTITUTIONAL LIMITATIONS ON TAXES, RATES AND CHARGES” herein.

\_\_\_\_\_  
**MATURITY SCHEDULE**  
(See Inside Cover Page)  
\_\_\_\_\_

**The Bonds are limited obligations of the Authority and are payable solely from, and are secured by a pledge of, Revenues and certain funds and accounts held under the Indenture. The District’s obligation to pay Installment Payments under the Installment Sale Agreement is a special obligation of the District limited solely to the Net Revenues of the Water Enterprise. No other funds or property of the District are liable for the payment of the Installment Payments or any other amounts payable under the Installment Sale Agreement or the Indenture. The full faith and credit of neither the Authority, the District nor the State of California or any of its political subdivisions is pledged for the payment of the Bonds. The Authority has no taxing power.**

*The Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to approval as to their legality by The Weist Law Firm, Los Gatos, California, Bond Counsel. Certain legal matters will be passed upon for the Authority by The Weist Law Firm, as Disclosure Counsel. Certain other legal matters will be passed on for the Authority and the District by their respective general counsel, and for the Underwriter Nixon Peabody LLP, Los Angeles, California, as Underwriter’s Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about February \_\_, 2024.*

**FHN Financial Capital Markets [Logo]**

Dated: February \_\_, 2024

\* Preliminary; subject to change.

**MATURITY SCHEDULE**

\$ \_\_\_\_\_\*  
**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
INDIAN WELLS VALLEY WATER DISTRICT  
SERIES 2024 WATER REVENUE BONDS  
(Water Transmission Pipeline Replacement Project)**

(Base CUSIP† \_\_\_\_\_)

<b>Maturity (April 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP† Suffix</b>
-------------------------------	-----------------------------	--------------------------	--------------	--------------	--------------------------

\$ \_\_\_\_\_ . \_\_\_\_ % Term Bond due April 1, 20\_\_ Yield: \_\_\_\_ % – Price \_\_\_\_ % CUSIP† No. \_\_\_\_

\$ \_\_\_\_\_ . \_\_\_\_ % Term Bond due April 1, 20\_\_ Yield: \_\_\_\_ % – Price \_\_\_\_ % CUSIP† No. \_\_\_\_

\* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. The District and the Authority take no responsibility for the accuracy of such numbers.

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY**  
**INDIAN WELLS VALLEY WATER DISTRICT**

---

**DISTRICT BOARD OF DIRECTORS**

Ronald R. Kicinski, *President*  
David C.H. Saint-Amand, *Vice President*  
Charles D. Griffin, *Boardmember*  
Stan G. Rajtora, *Boardmember*  
Mallory J. Boyd, *Boardmember*

**AUTHORITY BOARD OF DIRECTORS**

Isaac Moreno, *Chair*  
Nick Walker, *Vice-Chair*  
Jeffrey Meyer, *Boardmember*  
Bruce Pope, *Boardmember*

**DISTRICT STAFF**

George Croll, *General Manager*  
Tyrell Staheli, *Chief Financial Officer*  
Jason Lillion, *Operations Manager*  
Renee Morquecho, *Chief Engineer*  
Justin Thompson, *Associate Engineer*

**District General Counsel**

McMurtrey, Hartsock, Worth & St. Lawrence  
*Bakersfield, California*

---

**Bond Counsel and Disclosure Counsel**

The Weist Law Firm  
*Los Gatos, California*

**Municipal Advisor**

California Municipal Advisors LLC  
*Sacramento, California*

**Trustee**

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

***Use of Official Statement.*** This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part for any other purpose. This Official Statement is not a contract between any Owner of the Bonds and the Authority or the District.

***Estimates and Forecasts.*** When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District or Authority, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. 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, give rise to any implication that there has been no change in the affairs of the Authority, the District, or any other parties described in this Official Statement since the date hereof.

***Limit of Offering.*** No dealer, broker, salesperson or other person has been authorized by the District or the Authority to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there should be no sale of the Bonds by a person in any jurisdiction in which it is unlawful for that person to make any offer, solicitation or sale. Limited Scope of Information. The Authority and District have obtained certain information set forth herein from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the District, or any other parties described in this Official Statement since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given in the Installment Sale Agreement and the Indenture.

***Limited Scope of Information.*** The Authority and District have obtained certain information set forth herein from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the District, or any other parties described in this Official Statement since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given in the Installment Sale Agreement and the Indenture.

***Stabilization of Prices.*** In connection with this offering, the underwriter(s) may over allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. That stabilizing, if commenced, may be discontinued at any time. The underwriter(s) may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices contained on the inside cover page of this Official Statement. The public offering prices may be changed from time to time by the underwriter(s).

***No Registration.*** The Bonds have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), in reliance on an exemption contained in Section 3(a)(2) of the Securities Act. Also, they have not been registered or qualified under the securities laws of any state.

***Website Information Not Incorporated.*** The District maintains an internet website and various social media accounts, however, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds. Further references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of, and as that term is defined in, Rule 15c2-12.

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## OFFICIAL STATEMENT

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

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
INDIAN WELLS VALLEY WATER DISTRICT  
SERIES 2024 WATER REVENUE BONDS  
(Water Transmission Pipeline Replacement Project)**

### INTRODUCTORY STATEMENT

*This Official Statement, including its cover page, inside cover page and appendices, is provided to furnish information regarding the issuance by the California Municipal Public Financing Authority (the “Authority”) of its \$ \_\_\_\_\_\* aggregate principal amount of Indian Wells Valley Water District, Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project) (the “Bonds”).*

*The following introduction is not a summary of this Official Statement. The introduction is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement, pursuant to which the offering of the Bonds to potential investors is exclusively made. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the meanings given in the Indenture. No descriptions and summaries of documents contained in this Official Statement purport to be comprehensive or definitive, and reference is made to each document described or summarized for complete details of all its terms and conditions.*

### INTRODUCTION

#### **In General**

The Bonds are limited obligations of the Authority payable from the Revenues (defined herein) pledged under an Indenture of Trust, dated as of February 1, 2024 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), consisting primarily of installment payments (the “Installment Payments”) to be made by the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State of California (the “District”) under an installment sale agreement, dated as of February 1, 2024, by and between the Authority and the District (the “Installment Sale Agreement”). The Installment Payments are secured by a pledge of and lien on the Net Revenues of the District’s municipal water enterprise (the “Water Enterprise”).

Pursuant to the Indenture, the Authority has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, substantially all of its rights under the Installment Sale Agreement, including the right to receive Installment Payments from the District and the right to exercise any remedies provided therein in the event of a default by the District thereunder.

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\* Preliminary; subject to change.

## **Purpose of the Bonds**

The Bonds are being issued to (i) finance the acquisition, construction and installation of certain new improvements and facilities which will constitute part of the Water Enterprise (as more particularly described under the caption “FINANCING PLAN – the “2024 Project”), and (ii) pay the costs of issuance incurred in connection with the issuance, sale and delivery of the Bonds. See “THE FINANCING PLAN” herein.

## **Sources of Payment for the Bonds**

The Bonds are special limited obligations of the Authority, payable solely from and secured by a first pledge of the Revenues received by the Authority from the District under the Installment Sale Agreement, and from certain interest and other income derived from certain funds and accounts held under the Indenture (collectively, the “Revenues,” as more fully described herein). The Installment Payments under the Installment Sale Agreement, along with investment earnings, are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due.

The obligation of the District to make Installment Payments is a special limited obligation of the District payable solely from Net Revenues consisting generally of all gross income and revenue from the Water Enterprise, less the maintenance and operations costs of the Water Enterprise. See “SECURITY FOR THE BONDS” herein.

## **Authority for Issuance of the Bonds**

The Bonds are being issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584) (the “Bond Law”), a Resolution adopted by the Board of Directors of the Authority on January \_\_, 2024 (the “Authority Resolution”), a Resolution adopted by the Board of Directors of the District on January \_\_, 2024 (the “District Resolution” and together with the Authority Resolution, the “Resolutions”), and the Indenture.

## **The District**

Indian Wells Valley Water District was formed on January 24, 1955 under the name of Ridgecrest County Water District. The District’s name was changed in 1970 to Indian Wells Valley County Water District and in 1980 to its current name, Indian Wells Valley Water District. The District provides water service to approximately 12,431 customers located in and around the City of Ridgecrest, California (the “City”), which has a population of about 27,885. The total population within the District’s service area is approximately 35,000.

The District is located in the southern portion of the Indian Wells Valley and in the northeastern corner of Kern County (the “County”) and is headquartered in the City. The District is located approximately 110 miles north of San Bernardino, approximately 110 miles west of Bakersfield, and approximately 135 miles northeast of Los Angeles. The District owns, operates and maintains a water supply, storage, and distribution system (as further defined herein, the “Water Enterprise” or “System”). For additional information about the District, see “THE DISTRICT” herein, and for additional information about the City and surrounding area, see “APPENDIX D – GENERAL INFORMATION ABOUT THE CITY OF RIDGECREST, COUNTY OF KERN AND SURROUNDING AREA” herein.

## **The Authority**

The Authority was created by a Joint Exercise of Powers Agreement, dated as of June 24, 2020 (the “Joint Exercise of Powers Agreement”), and pursuant to the provisions of the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the “Act”). The Authority was created for the primary purpose of facilitating the financing of public capital improvements and facilities for California public agencies. See “THE AUTHORITY” herein.

## **The Water Enterprise**

The District owns and operates water supply wells, storage tanks, and distribution system pipelines that supply chlorinated groundwater to approximately 12,431 active accounts. Water is conveyed through a supply and distribution system that includes 11 active production wells 13 above ground tanks, 73 miles of 12-inch diameter or larger pipe and about 145 miles of less than 12-inch diameter pipe (together with all other District properties and assets, the “Water Enterprise”). See “THE WATER ENTERPRISE” herein.

## **Water Supply**

The District’s water supply consists of groundwater pumped from eleven District-owned wells. The District’s wells are located in the Indian Wells Valley Groundwater Basin, a non-adjudicated basin which has been deemed to be a high priority overdraft basin under the Sustainable Groundwater Management Act, a legislative effort to regulate groundwater on a Statewide basis. See “THE WATER ENTERPRISE – Water Supply Sources” herein.

## **Description of the Bonds**

*Payment.* Principal of the Bonds will be payable in each of the years and in the amounts set forth on the inside front cover hereof at the principal corporate office of the Trustee. The Bonds will accrue interest from their date of delivery, and interest thereon will be payable semiannually on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing October 1, 2024, by check mailed by the Trustee on each Interest Payment Date to the person whose name appears in the registration books kept by the Trustee as the registered owner thereof as of the close of business on the fifteenth calendar day of the month, whether or not such fifteenth day is a Business Day, immediately preceding an interest payment date (a “Record Date”); provided, however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more, payable when due by wire of the Trustee to DTC which will in turn remit such interest, principal and premium, if any, to DTC Participants (as defined herein), which will in turn remit such interest, principal and premium, if any, to Beneficial Owners (as defined herein) of the Bonds. See “APPENDIX F – DTC’S BOOK-ENTRY ONLY SYSTEM” herein.

*Redemption.* The Bonds are subject to optional, extraordinary and mandatory sinking account redemption prior to their stated maturity dates, as provided herein. See “THE BONDS – Redemption Provisions” herein.

*Form of Bonds.* The Bonds will be issued in fully registered form, without coupons, in the minimum denominations of \$5,000 or any integral multiple thereof. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture. See “THE BONDS – General.” When

delivered, the Bonds will be registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee. DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds purchased. See “APPENDIX F – DTC’S BOOK-ENTRY ONLY SYSTEM” herein.

### **Sources of Payment for the Installment Sale Agreement**

*In General.* Pursuant to the Installment Sale Agreement, the District has agreed to pay Installment Payments to the Authority as the purchase price of certain water system facilities pertaining to the District’s Water Enterprise. See “THE FINANCING PLAN” herein. The aggregate Installment Payments are scheduled to be sufficient, in time and amount, for the Authority to pay principal of and interest and premium, if any, on the Bonds when due. The District is obligated to make such payments solely from Net Revenues. See “SECURITY FOR THE BONDS – Pledge of Net Revenues” herein.

*Rate Covenants.* Under the Installment Sale Agreement, the District has covenanted that, to the extent provided by law, it will fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Water Enterprise for each Fiscal Year which are sufficient to yield Net Revenues, during each such Fiscal Year, equal to not less than 120% of Maximum Annual Debt Service for such Fiscal Year; provided, an adjustment will be made to the amount of Net Revenues for deposits to or withdrawals from the Rate Stabilization Fund. See “THE INSTALLMENT SALE AGREEMENT – Rate Covenants” herein.

*Rate Stabilization Fund.* Under the Installment Sale Agreement, the District may at its discretion establish and maintain a rate stabilization fund for the Water Enterprise. To the extent established and funded, the District may withdraw amounts from time to time held in such Rate Stabilization Fund. Amounts so withdrawn and transferred to the Water System Fund or Bond Fund will be included in Gross Revenues of the Water Enterprise, and may be applied for any purposes for which such Gross Revenues are generally available. The Rate Stabilization Fund is not pledged to secure payment of the Installment Payments or the Bonds. See “SECURITY FOR THE BONDS – Rate Stabilization Fund” herein.

### **Risk Factors**

The purchase of the Bonds involves certain risks. For a general discussion of certain special factors and considerations relevant to an investment in the Bonds, in addition to the other matters set forth herein, see “RISK FACTORS” herein. The Bonds are not appropriate investments for investors who are not able to bear the associated risks. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

### **Limited Obligations**

The obligations of the District to make the Installment Payments and the Additional Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement will be absolute and unconditional and will not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Authority, or the Trustee of any obligation to the District or otherwise with respect to the Water Enterprise, or out of indebtedness or liability at any time owing to the District by the Authority or the Trustee.

*The Bonds are special, limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit of the Authority nor its members is pledged for the payment of the interest on or principal or redemption price of the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal or redemption price of the Bonds. Neither the payment of the interest on or principal or redemption price of the Bonds constitutes a debt, liability or obligation of the Authority or any member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation.*

*The District's obligation to pay Installment Payments under the Installment Sale Agreement is a special obligation of the District limited solely to the Net Revenues of the Water Enterprise. No other funds or property of the District are liable for the payment of the Installment Payments or any other amounts payable under the Installment Sale Agreement or the Indenture. The full faith and credit of neither the Authority, the District nor the State of California or any of its political subdivisions is pledged for the payment of the Bonds. The Authority has no taxing power.*

### **No Reserve Fund**

The District will not fund a reserve fund for the Bonds.

### **Parity Obligations**

*Existing Parity Obligations.* The District and Mission Bank entered into an Installment Purchase Agreement, dated as of April 1, 2016, as amended by a First Amendment to Installment Purchase Agreement, dated as of December 1, 2018 (collectively, the "2016 Installment Purchase Agreement"), payable from Net Revenues, which is currently outstanding in the principal amount of \$4,990,749 (the "2016 Obligations").

The District also entered into an Installment Sale Agreement, dated as of December 1, 2018 (the "2018 Installment Sale Agreement"), with the Public Property Financing Corporation of California, payable from Net Revenues, which is currently outstanding in the principal amount of \$23,315,000 (the "2018 Obligations"). The 2016 Obligations and the 2018 Obligations are payable from and secured by the Net Revenues on parity with the Bonds.

*Additional Parity Obligations.* The Installment Sale Agreement does not permit the District to make any additional pledge of, or to place any additional lien on, the Gross Revenues or Net Revenues, or any portion thereof, which is senior to the pledge and lien securing the payment of the Installment Payments. Subject to certain conditions set forth in the Installment Sale Agreement, the District may incur Parity Obligations payable from and secured by the Net Revenues on parity with the Bonds. See "SECURITY FOR THE BONDS – Additional Parity Obligations" herein.

*Subordinate Obligations.* Subject to certain conditions set forth in the Installment Sale Agreement, the District may at any time incur revenue installment sale obligations, bonds, notes or other evidences of indebtedness of the District payable from Net Revenues subordinate to the payment of Installment Payments. See "SECURITY FOR THE BONDS – Subordinate Obligations" herein.

## **Continuing Disclosure**

The District has covenanted, on behalf of itself and the Authority, for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District and the Water Enterprise by not later than nine (9) months following the end of the District's Fiscal Year (which currently would be by March 31 each year based upon the June 30 end of the District's Fiscal Year), commencing with the report for the 2023-24 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material.

The District has covenanted to prepare and deliver the Annual Report and notices of certain material events to the Municipal Securities Rulemaking Board, via its Electronic Municipal Market Access ("EMMA") system. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein. See "CONTINUING DISCLOSURE" herein.

## **Tax Matters**

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, as amended (the "Code"), in the opinion of Bond Counsel, interest with respect to the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the "State") personal income taxes. See "TAX MATTERS" herein.

## **Forward-Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "intend," "expect," "propose," "estimate," "project," "budget," "anticipate," or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. No updates or revisions to these forward-looking statements are expected to be issued if or when the expectations, events, conditions, or circumstances on which such statements are based change. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

## **Other Matters**

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Furthermore, this Official Statement speaks only as of its date, and the information and expressions of opinions contained herein are subject to change without notice. Neither delivery of this Official Statement nor any sale of the Bonds, under any circumstances, shall create any implication that there has been no change in the affairs of the District or the Water Enterprise since the date of this Official Statement. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The presentation of information, including the table of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the District. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The summaries of and references to documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See “APPENDIX A – SUMMARY OF LEGAL DOCUMENTS” herein. The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

## **FINANCING PLAN**

### **The 2024 Project**

A portion of the Bond proceeds will be used to finance the acquisition and construction of certain improvements to the Water Enterprise, including, but not limited to, the (i) replacement of approximately 19,400 feet of 30” diameter cement mortar lined and coated steel pipe with approximately 19,400 feet of 24” diameter fused PVC pipe, and (ii) replacement of existing appurtenances consisting of 8 in-line control valves, 13 air valves and 13 blow-offs (collectively, the “2024 Project”).

The District expects to undertake any necessary environmental approvals on individual components of the 2024 Project prior to commencement of each component. The District expects to comply with all bidding and other permitting requirements for each component of the 2024 Project as required by law. All components of the 2024 Project are expected to be substantially completed by early 2027; however, failure to meet such timeline will not constitute an event of default under the Indenture.

Pursuant to the Installment Purchase Agreement, the District may substitute or add additional projects to the 2024 Project. See Appendix B under the caption “INSTALLMENT SALE AGREEMENT – Acquisition of 2024 Project – Changes to the 2024 Project” herein.

## Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Bonds are as follows:

### Sources of Funds:

Principal Amount of Bonds	\$ _____
<i>[Plus]/[Less]:</i> Net Original Issue [Premium][Discount]	
<i>Less:</i> Underwriter's Discount	( _____ )
Total Sources	\$ <u>_____</u>

### Uses of Funds:

Deposit to Project Fund	\$ _____
Deposit to Costs of Issuance Fund <sup>[1]</sup>	
Total Uses	\$ <u>_____</u>

<sup>[1]</sup> Moneys deposited in the Costs of Issuance Fund are expected to be used to pay the fees and expenses of the Authority, Bond Counsel, Disclosure Counsel, Municipal Advisor, Trustee and the rating agency, as well as printing and other miscellaneous costs and expenses in connection with the issuance, sale and delivery of the Bonds.

**Debt Service Requirements**

Table 1 sets forth the annual principal and interest payments on the Bonds (assuming no redemptions of the Bonds, other than mandatory sinking fund redemptions).

**Table 1**  
**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY**  
**SERIES 2024 WATER REVENUE BONDS**

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**ANNUAL DEBT SERVICE SCHEDULE**

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<u>Bond Year</u> <u>(April 1)</u>	<u>Principal Portion of</u> <u>Debt Service</u>	<u>Interest Portion of</u> <u>Debt Service</u>	<u>Total</u> <u>Debt Service</u>
--------------------------------------	--	---	-------------------------------------

Totals

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Source: The Underwriter.

## THE BONDS

### Authority for Issuance

The Bonds are being issued pursuant to the Bond Law, the Resolutions, the Indenture and the Installment Sale Agreement. All statements in this Official Statement are qualified in their entirety by reference to each such resolution and document.

### General Provisions

The Bonds will be executed and delivered in the aggregate principal amount of \$\_\_\_\_\_. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, and will be dated the date of delivery thereof and will represent interest from such date at the rates per annum and will mature on the dates set forth on the inside cover page of this Official Statement. Interest with respect to the Bonds will be computed based on a year consisting of 360 days and twelve 30-day months.

Interest on the Bonds is payable semiannually from their dated date at the rates set forth on the inside cover page hereof, on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing October 1, 2024, by check mailed by the Trustee on each Interest Payment Date to the person whose name appears in the registration books kept by the Trustee as the registered owner thereof as of the close of business on the fifteenth calendar day of the month immediately preceding an interest payment date, whether or not such fifteenth day is a Business Day (a “Record Date”); provided, however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more.

While the Bonds are subject to the book-entry system, the principal and interest with respect to the Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the Bonds. See “THE BONDS – DTC and Book-Entry Only System” and “APPENDIX F – DTC’S BOOK-ENTRY ONLY SYSTEM” herein.

### Redemption Provisions

***Optional Redemption of Bonds.*** The Bonds maturing on or before April 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after April 1, 20\_\_, are subject to redemption in whole or in part in integral multiples of \$5,000, by such maturities as are selected by the Authority (or, if the Authority fails to designate such maturities, then pro rata among maturities), and by lot within a maturity, from any source of available funds (including prepayments of Installment Payments made by the District pursuant to the Installment Sale Agreement), on any date on or after April 1, 20\_\_, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

***Mandatory Sinking Fund Redemption of Bonds.*** The Bonds maturing on April 1, 20\_\_ are subject to mandatory redemption from monies in the Sinking Account prior to their stated maturity date, at the principal amount thereof without premium on each April 1, on and after April 1, 20\_\_, in accordance with the terms of the Indenture, in the principal amounts set forth in the following schedule:

Redemption Date  
(April 1)

Principal Amount  
to be Redeemed

---

\* Maturity

The Bonds maturing on April 1, 20\_\_ are subject to mandatory redemption from monies in the Sinking Account prior to their stated maturity date, at the principal amount thereof without premium on each April 1, on and after April 1, 20\_\_, in accordance with the terms of the Indenture, in the principal amounts set forth in the following schedule:

Redemption Date  
(April 1)

Principal Amount  
to be Redeemed

---

\* Maturity

***Extraordinary Mandatory Redemption from Insurance and Condemnation Proceeds.*** The Bonds are subject to mandatory redemption prior to their respective stated maturities, as a whole, or in part in the order of maturity as directed by the Authority or the District in a written request provided to the Trustee and randomly within each maturity, on any date, in integral multiples of \$5,000, from and to the extent of the proceeds of disposition of Water Enterprise, Net Proceeds of casualty insurance or a condemnation award upon the terms and conditions of, and as provided for in, the Indenture and the Installment Sale Agreement, at a redemption price equal to the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

***Selection of Bonds for Redemption.*** Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a particular maturity, the Bonds to be redeemed are required to be selected pro rata by maturity or, at the election of the Authority or of the District (as agent of the Authority) set forth in a Request of the Authority or District, as the case may be, filed with the Trustee, from such maturities as shall be determined by the Authority or District, as the case may be; and in all cases, the Trustee shall select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption randomly within a maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

***Notice of Redemption.*** The Trustee shall give notice of redemption to the Owners of the Bonds and to certain security depositories and information services, not less than twenty (20) nor more than sixty (60) days prior to the redemption date. Such notice must specify the date of the notice, the redemption date, the redemption place and the redemption price, whether less than all of the Bonds are to be redeemed, and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, all as more fully specified in the Indenture, and shall require that such Bonds be surrendered on the redemption date at the office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. Failure by any Owner of a Bond to receive such notice or any defect in any notice so mailed will not affect the sufficiency of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest on the date fixed for redemption.

***Rescission of Notice of Redemption.*** The Authority has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. Neither the District, the Authority nor the Trustee will have any liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will cause notice of such rescission to be mailed, first class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books, and to the Municipal Securities Rulemaking Board and the Securities Depositories.

***Partial Redemption of Bonds.*** In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond being redeemed.

***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption will have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date. All such Bonds redeemed will be canceled by the Trustee. All moneys held by or on behalf of the Trustee for the payment of principal of or interest or premium on Bonds whether at redemption or maturity, will be held in trust for the account of the Owners thereof and the Trustee will not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

***Purchase in Lieu of Redemption.*** At any time prior to the selection of Bonds for redemption, the Trustee may, upon written direction of either the Authority or the District, apply amounts held for redemption of Bonds to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest payable from the Interest Account) as either the Authority or the District may direct the Trustee, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price of such Bonds; and provided further that in the case of optional redemption, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts for redemption may be used for payment of such Bonds to be redeemed in order of their due date as set forth in a request of either the Authority or the District.

## **DTC and Book-Entry Only System**

The Bonds will be issued as one fully registered bond certificate without coupons for each maturity (unless the Bonds of such maturity bear different interest rates, then one certificate for each interest rate among such maturity) and, when issued, will be initially issued in book-entry only form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases may be made in book-entry form only, in integral multiples of \$5,000.

Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. So long as DTC’s book-entry system is in effect with respect to the Bonds, notices to Owners of the Bonds by the Authority or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Bonds, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. The Authority cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement. See “APPENDIX F – DTC’S BOOK-ENTRY ONLY SYSTEM” herein.

## **Transfers and Exchanges Upon Termination of Book-Entry Only System**

In the event that the book-entry system described above is discontinued, the Bonds will be printed and delivered as provided in the Indenture. Thereafter, the Bonds may be transferred and title thereto will pass only in the manner provided in the provisions for registration set forth in the forms of the Bond. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept by the Trustee under the Indenture, by the person in whose name it is registered, in person or by such person’s duly authorized attorney, upon surrender of such Bond for cancellation at the principal corporate trust office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. Whenever any Bond or Bonds are surrendered for transfer, the Trustee will execute and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new Bond executed and delivered upon any transfer. The Trustee may require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Bonds the Trustee will cancel and destroy the Bonds it has received.

Bonds may be exchanged at the principal corporate trust office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trustee may charge a sum for each new Bond executed and delivered upon any exchange except in the case of any exchange of temporary Bonds for definitive Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Bonds the Trustee shall cancel and destroy the Bonds it has received.

The Trustee will not be required to register the exchange or transfer of any Bond (i) within 15 days preceding selection of Bonds for prepayment or (ii) selected for redemption in whole or in part.

## SECURITY FOR THE BONDS

*The Bonds are special limited obligations of the Authority, payable solely from and secured by a first pledge of the Revenues consisting primarily of Installment Payments received by the Authority from the District under the Installment Sale Agreement, and from certain interest and other income derived from certain funds and accounts held under the Indenture. The obligation of the District to pay Installment Payments is a special obligation of the District payable solely from Net Revenues, and does not constitute a debt or indebtedness of the District the Authority, the State or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction.*

*This section provides summaries of the security for the Bonds and certain provisions of the Indenture. See “APPENDIX A – SUMMARY OF LEGAL DOCUMENTS” for a more complete summary of the Indenture and Installment Sale Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### **Pledge of Revenues**

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Indenture are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Indenture, and the Revenues may not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Indenture.

“Revenues” means (a) all amounts received by the Authority or the Trustee pursuant to or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments payable pursuant to the Installment Sale Agreement (including both timely and delinquent payments, any late charges, and whether paid from any source, insurance proceeds and condemnation proceeds deposited in the Insurance and Condemnation Fund and prepayments of Installment Payments), but excluding any Additional Payments, (b) amounts deposited in the Bond Fund, and (c) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (except the Rebate Fund).

Such pledge constitutes a lien on and security interest upon the Revenues and all other moneys on deposit in the funds and accounts established under the Indenture (other than amounts on deposit in the Rebate Fund) for the payment of the interest and premium, if any, on and principal of the Bonds in accordance with their terms and the terms of the Indenture.

In the Indenture, the Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Installment Sale Agreement (except for the right to receive any respective Additional Payments (as defined herein) to the extent payable to the Authority and certain rights to indemnification set forth in the Installment Sale Agreement).

In order to carry out and effectuate the pledge, charge and lien on Revenues provided in the Indenture, the Authority agrees and covenants in the Indenture that all Revenues will be promptly deposited by the

Trustee upon receipt thereof in the Bond Fund created under the Indenture, which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Installment Sale Agreement to be deposited in the Redemption Fund will be promptly deposited in such Fund. All Revenues will be accounted for through and held in trust in the Bond Fund, and the Authority has no beneficial right or interest in any of the Revenues except only as provided in the Indenture.

### **Flow of Funds**

On each Interest Payment Date, the Trustee has agreed to transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

- (1) Interest Account. On each Interest Payment Date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds, the amount of interest becoming due and payable on the mandatory sinking fund payment due on all Outstanding Term Bonds, if any, and an amount due on the next redemption date on the Bonds to be redeemed (other than pursuant to mandatory sinking fund redemption). No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture). In the event that the amounts on deposit in the Interest Account on any Interest Payment Date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee shall apply such amounts to the payment of interest on each of the Outstanding Bonds on a pro rata basis.
- (2) Principal Account. On each Interest Payment Date on which the principal of the Bonds is payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, the amount of principal becoming due and payable on the mandatory sinking fund payment due on all Outstanding Term Bonds, if any, and an amount due on the next redemption date on the Bonds to be redeemed (other than pursuant to mandatory sinking fund redemption). All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds at the maturity or sinking fund payment date thereof.
- (3) Surplus. As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner described above, any moneys remaining in the Bond Fund may at any time be treated as surplus and applied as provided in the Indenture.

## **No Reserve Fund**

Neither the Indenture nor the Installment Sale Agreement establishes a debt service reserve fund for the Bonds. Any debt service reserve fund established in connection with Parity Obligations will not be available to support payment of the Bonds.

## **Limited Obligation**

The Revenues constitute a trust fund for the security and payment of the principal or Redemption Price of and interest on the Bonds. The general fund of the District is not liable and the credit or taxing power of the District is not pledged for the payment of Installment Payments or the principal or interest on the Bonds. The obligation of the District to pay Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

The Owners of the Bonds may not compel the exercise of the taxing power by the District or the forfeiture of its property. The principal of and interest on the Bonds are not a debt of the District, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.

## **THE INSTALLMENT SALE AGREEMENT**

### **Installment Payments**

The District's obligation to pay the Installment Payments, the Additional Payments and any other amounts coming due and payable under the Installment Sale Agreement is a special obligation of the District limited solely to Net Revenues. Under no circumstances will the District be required, obligated or liable to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments and Additional Payments, nor will any other funds or property of the District be liable for the payment of the Installment Payments, Additional Payments or any other amounts coming due and payable under the Installment Sale Agreement.

The obligations of the District to make the Installment Payments and Additional Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement shall be absolute and unconditional and will not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Authority or the Trustee of any obligation to the District or otherwise with respect to the Water Enterprise, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the District by the Authority.

As security for the payment of the Bonds, the Authority has assigned to the Trustee the Authority's rights and remedies under the Installment Sale Agreement, including the right to receive the Installment Payments.

The obligation of the District to pay the Installment Payments is limited to the Net Revenues.

## Net Revenues

Net Revenues is defined in the Installment Sale Agreement to mean, for any Fiscal Year or twelve (12) calendar month period, the Gross Revenues of the Water Enterprise during such Fiscal Year or twelve (12) calendar month period less the Operation and Maintenance Costs during such Fiscal or twelve (12) calendar month period; plus deposits to the Water System Fund or Bond Fund from amounts on deposit in the Rate Stabilization Fund during such period, but excluding in all cases any moneys transferred to the Rate Stabilization Fund during such period pursuant to the Installment Sale Agreement.

“Water Enterprise” means, collectively, the entire water collection, storage, treatment, transmission and distribution system now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Water Enterprise, including, but not limited to, any and all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the collection, storage, treatment, transmission and distribution system, including all contractual rights to water supply and transmission, as well as all pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, storage, treatment, transmission and distribution of water, and any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equippings thereof.

“Gross Revenues” means all gross income and revenue received, or receivable by the District, from the ownership and operation of the Water Enterprise, determined in accordance with Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing, (a) all rates, fees and charges received for, and all other income and receipts derived by, the District from the operation of the Water Enterprise or arising from the Water Enterprise, including all rates, fees and charges received by the District for the Water Enterprise service and the other services of the Water Enterprise, (b) all proceeds of insurance (if any) covering business interruptions loss relating to the Water Enterprise, (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other monies to the extent that the use of such earnings and income is limited by or pursuant to law to the Water Enterprise, including all income from the investment of amounts on deposit in the Water System Fund, the Parity Obligation Payment Fund, and the Rate Stabilization Fund, (d) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water Enterprise, and (e) all other monies howsoever derived by the District from the operation of the Water Enterprise or arising from the Water Enterprise, including major facility charges; provided, that the term “Gross Revenues” shall not include contributions in aid of construction or refundable customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid or incurred by the District for maintaining and operating the Water Enterprise, determined in accordance with Generally Accepted Accounting Principles, including but not limited to (a) costs of acquisition of water, including all associated treatment and delivery costs, to be used by the Water Enterprise, (b) costs of electricity and other forms of energy supplied to the Water Enterprise, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water Enterprise in good repair and working order, (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Water Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (e) all other reasonable and necessary costs of the District or charges required to be

paid by it to comply with the terms of the Installment Sale Agreement or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and engineers, but in all cases excluding (i) debt service payable on obligations incurred by the District with respect to the Water Enterprise, including but not limited to the Installment Payments and any debt service payments made or to be made on Parity Obligations and Subordinate Obligations, (ii) costs of capital additions, replacements, betterments, extensions or improvements which under Generally Accepted Accounting Principles, are chargeable to a capital account, and (iii) depreciation, replacement and obsolescence charges or reserves therefore and amortization of intangibles or other bookkeeping entries of a similar nature.

## **Water System Fund**

The District has heretofore established a water utility fund into which the District deposits and will continue to deposit all Gross Revenues (the “Water System Fund”), which the District has covenanted to maintain throughout the Term of the Installment Sale Agreement.

In the Installment Sale Agreement, all of the Net Revenues are irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments and any other Parity Obligations, and except as otherwise provided therein, the Net Revenues will not be used for any other purpose so long as any of the Installment Payments remain unpaid.

All of the Gross Revenues will be deposited by the District immediately upon receipt in the Water System Fund. The District covenants and agrees that all Net Revenues will be held by the District in the Water System Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority) and the Bond Owners, and for the benefit of the owners of any Parity Obligations.

On or before each Installment Payment Date, the District will withdraw from the Water System Fund and transfer to the Trustee, for deposit in the Bond Fund, an amount of Net Revenues which, together with the balance then on deposit in the Bond Fund, including all sub accounts, but excluding amounts resulting from the prepayment of the Installment Payments pursuant to the Installment Sale Agreement and other than amounts required for payment of principal of or interest on any Bonds which have matured or been called for redemption but which have not been presented for payment), is equal to the aggregate amount of each Installment Payment coming due and payable on the next succeeding Interest Payment Date.

In addition, the District shall withdraw from the Water System Fund such amounts at such times as shall be required to: (i) pay all Operation and Maintenance Costs as they come due and payable; (ii) pay the principal of and interest on any Parity Obligations and otherwise comply with the provisions of the instruments authorizing the issuance of any Parity Obligations; and (iii) pay all other amounts when and as due and payable under the Installment Sale Agreement.

In addition to the Installment Payments, the District shall pay when due Additional Payments, which generally consist of all costs and expenses incurred by the Authority and the Trustee to comply with the provisions of the Indenture, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund) and amounts payable to the federal government pursuant to the Indenture, and shall pay costs and fees of the Trustee, as described in the Indenture.

## Rate Covenants

***Covenant Regarding Gross Revenues.*** The District shall, to the fullest extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Water Enterprise during each Fiscal Year (together with other funds accumulated from Gross Revenues and which are lawfully available to the District for payment of any of the following amounts during such Fiscal Year), which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues which are sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;

(ii) The Installment Payments and the principal of and interest on any Parity Obligations and Subordinate Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such Installment Payments or such principal and interest on any Parity Obligations or Subordinate Obligations are payable from the proceeds of the Bonds or Parity Obligations, or from any other source of legally available funds of the District which have been deposited with the Trustee for such purpose prior to the commencement of such Fiscal Year;

(iii) All amounts, if any, required to restore the balance any required reserve funds to the full amount of the applicable requirement; and

(iv) All Additional Payments and other payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable, from Gross Revenues during such Fiscal Year, including payments with respect to Subordinate Obligations.

***Covenant Regarding Net Revenues.*** In addition to the covenant regarding Gross Revenues, the District shall, to the fullest extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Water Enterprise for each Fiscal Year which are reasonably fair and nondiscriminatory and which are sufficient to yield Net Revenues for such Fiscal Year equal to at least 120% of the Maximum Annual Debt Service in such Fiscal Year; provided, an adjustment will be made to the amount of Net Revenues for deposits to or withdrawals from the Rate Stabilization Fund.

“Maximum Annual Debt Service” means with respect to the Installment Payments and all Parity Obligation Payments, as of the date of any calculation, the maximum sum obtained for the current or any future Bond Year by totaling the following amounts for such Bond Year:

(a) the aggregate principal amount of the Installment Payments and any Parity Obligation Payments coming due and payable by their terms in such Bond Year, including the principal amount required to be paid by operation of mandatory sinking fund prepayment in such Bond Year; and

(b) the amount of interest which would be due during such Bond Year on the aggregate principal amount of the Installment Payments and any Parity Obligation Payments which would be Outstanding in such Bond Year if the Installment Payments and any Parity Obligations are retired as scheduled.

Notwithstanding the foregoing definition of Maximum Annual Debt Service, with respect to any Parity Obligations which then bear interest at a variable rate, such interest shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if such Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if such Parity Obligations have been outstanding for at least 12 months, the average rate of the 12 months immediately preceding the date of calculation, (iii)(A) if interest on such Parity Obligations is excludable from gross income under the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct United States Treasury obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a certain period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during such period.

### **Rate Stabilization Fund**

Under the Installment Sale Agreement, the District created a separate fund to be known as the “Rate Stabilization Fund,” to be held, replenished and maintained by the District. The District may, during or within 210 days after a Fiscal Year, deposit any amount of funds which are legally available therefor into the Rate Stabilization Fund. The District may at any time withdraw moneys from the Rate Stabilization Fund. Net Revenues deposited into the Rate Stabilization Fund shall not be taken into account as Net Revenues for purposes of the calculations required by the 120% Net Revenues rate covenant set forth above in the Fiscal Year to which such deposit is attributable, and amounts withdrawn from the Rate Stabilization Fund, during or within 210 days after a Fiscal Year, may be taken into account as Net Revenues for purposes of the calculations required by such covenants in such Fiscal Year to the extent provided in the Installment Sale Agreement.

In addition, the District may withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose. The Rate Stabilization Fund is not pledged to secure payment of the Installment Payments. There will be a balance of \$ \_\_\_\_\_ in the Rate Stabilization Fund at the time of Closing.

### **Limited Unconditional Obligation**

The District’s obligation to pay the Installment Payments, the Additional Payments and any other amounts coming due and payable under the Installment Sale Agreement are a special limited obligation of the District limited solely to the Net Revenues. Under no circumstances shall the District be obligated, liable or required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified for the payment of the Installment Payments and the Additional Payments, nor shall any other funds or property of the District be liable for the payment of the Installment Payments, Additional Payments or any other amounts coming due and payable under the Installment Sale Agreement.

Subject to the preceding paragraph, the obligations of the District to make the Installment Payments and Additional Payments from Net Revenues, and to perform and observe the other agreements contained in the Installment Sale Agreement, shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Authority or the Trustee of any obligation to the District or otherwise with respect to the Water Enterprise, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the District by the Authority.

Until such time as all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable under the Installment Sale Agreement have been fully paid or prepaid, the District has agreed that it (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in the Installment Sale Agreement, and (c) will not terminate the Term of the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water Enterprise, sale of the Water Enterprise, the taking by eminent domain of title to or temporary use of any component of the Water Enterprise, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or the Installment Sale Agreement.

### **Issuance of Additional Obligation**

In addition to the Installment Sale Agreement, the District may from time to time to issue or incur additional Parity Obligations, upon such terms and conditions as the District shall deem advisable, but only upon compliance with the following conditions which are conditions precedent to the issuance and delivery of Parity Obligations:

(a) No Event of Default (or event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance

(b) Net Revenues, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Obligations, in either case verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus (at the option of the District) the Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service with respect to the Installment Payments and all Parity Obligation Payments then outstanding (including the Parity Obligations then proposed to be issued).

Nothing in the Installment Sale Agreement prohibits or impairs the authority of the District to issue bonds or other obligations secured by a lien on Net Revenues that is subordinate to the lien established under the Installment Sale Agreement, upon such terms and in such principal amounts as the District may determine.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Water Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive twelve (12) month period selected by the District, were not in service, all in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by the Certificate of an Authorized Representative of the District.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Water Enterprise which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of such Fiscal Year or such twelve (12) month period, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or twelve (12) month period, all as shown by the Certificate of an Authorized Representative of the District.

### **Insurance; Net Proceeds**

The District will procure and maintain such insurance relating to the Water Enterprise (but only if and to the extent available at reasonable cost from reputable insurers) a standard comprehensive general insurance policy or policies in protection of the Authority, the Trustee, the District, and their respective members, officers, agents and employees.

In addition, the District will procure and maintain, or cause to be procured and maintained (but only in the event and to the extent available from reputable insurers at reasonable cost) casualty insurance against loss or damage to any improvements constituting any part of the Water Enterprise, covering such hazards as are customarily covered with respect to works and property of like character.

Such standard comprehensive general insurance or casualty insurance may be maintained as part of or in conjunction with any other liability or casualty insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District, subject to the provisions of the Installment Sale Agreement, or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance.

All amounts collected from insurance against accident to or destruction of any portion of the Water Enterprise shall be Gross Revenues and shall be used to repair, rebuild or replace such damaged or destroyed portion of the Water Enterprise or otherwise as permitted by the Installment Sale Agreement.

### **THE AUTHORITY**

The California Municipal Public Financing Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of June 24, 2020 (the "Joint Exercise of Powers Agreement"), by and between the certain California public agencies. The Joint Exercise of Powers Agreement was entered into pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act"). The Authority is authorized pursuant to Article 4 (commencing with section 6584) of the Act (the "Bond Law") to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of financing and/or refinancing public capital improvements of public entities, including the District.

## THE DISTRICT

### General

The Indian Wells Valley Water District was formed on January 24, 1955 under the name of Ridgecrest County Water District. The District's name was changed in 1970 to Indian Wells Valley County Water District and in 1980 to its current name, Indian Wells Valley Water District. The District provides water service to approximately 12,431 active accounts located in and around the City, which has a population of about 27,885. The total population within the District's service area is approximately 35,000. The District is located in the southern portion of the Indian Wells Valley and in the northeastern corner of the County, approximately 110 miles north of San Bernardino, and approximately 135 miles northeast of Los Angeles.

The District owns, operates and maintains a water supply, storage, and distribution system (referred to herein as the Water Enterprise). The District has a staff of approximately 32 full-time regular employees. It operates strictly from water rate charges and fees for services, with none of its revenues coming from taxes or federal sources. See “APPENDIX D – GENERAL INFORMATION ABOUT THE CITY OF RIDGECREST, COUNTY OF KERN AND SURROUNDING AREA” herein.

### Governance and Management

The District is governed by a 5-member Board of Directors (the “Board”), the members of which are elected at large by the registered voters in the District to staggered 4-year terms and is served by a full-time General Manager, Chief Financial Officer and staff. Board members are elected at large for staggered four-year terms. At the regular meeting in December of each year the Board chooses one of its members to serve as President and one of its members to serve as Vice President, each to serve until successors are chosen at the regular meeting in the following December. The current Board members and their respective titles and ending terms of office are as follows:

<u>Board Member</u>	<u>Title</u>	<u>Term Expires</u>
Ronald R. Kicinski	President	November 2024
David C.H. Saint-Amand	Vice President	November 2026
Charles D. Griffin	Board Member	November 2024
Stan G. Rajtora	Board Member	November 2026
Mallory J. Boyd	Board Member	November 2024

The General Manager is appointed by the Board of Directors solely on the basis of executive and administrative qualifications. The General Manager holds office for an indefinite term at the pleasure of the Board of Directors. The General Manager is the chief executive of the District under the direction and control of the Board, and has authority over all other officers and employees except the District’s general counsel. A brief biography of the General Manager and Chief Financial Officer, are set forth below:

*George Croll; General Manager.* Mr. Croll has recently been appointed as the General Manager of the District. Prior to assuming his current position, Mr. Croll gained extensive experience during his two-decade-long tenure with the Federal Government at Vandenberg Air Force Base. His dedication and expertise led him to serve as the General Manager of Depot Maintenance activities, supporting various on base activities and off base infrastructure.

The remaining members of the Management team are highly experienced individuals who contribute their expertise to the organization's success. Tyrell Staheli serves as the Chief Financial Officer, with 17 years of experience in finance and administration. Renee Morquecho holds the position of Chief Engineer and has an extensive 27-year background in stormwater and drinking water works. Jason Lillion serves as Operations Manager, with a 14-year history of supervising various operational assignments within the District. Together with the General Manager, this team of seasoned professionals plays a crucial role in guiding the financial, administrative and operational aspects of the District.

## **Management Policies**

The District has adopted several policies that are designed to ensure the prudent and effective management of District operations, including an investment policy, reserve policies and a debt management policy. Further information about each such policy is set forth below.

*Investment Policy.* The investment policies and practices of the District are established by Resolution 95-15, which was adopted on December 11, 1995, as amended. The investment policy is reviewed annually by the Board of Directors. The Investment Policy states that all investments shall be of the type specified and authorized under California Government Code section 53601, and that all deposits not invested pursuant to Government Code section 53601 shall be deposited in the manner specified in Government Code section 53635.

The Investment Policy also sets forth stated objectives, including, in order of priority: (i) investments shall be undertaken in a manner which first seeks to preserve portfolio principal; (ii) investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value in order to maintain of sufficient liquidity; and (iii) investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity. Authorized officers must invest District funds in accordance with the prudent person standard under California Civil Code § 2261 et seq.

*Reserve Fund Policy.* Under the District's Reserve Fund Policy, the District will maintain sufficient moneys on reserve for emergency operating expenses, vehicles, computer replacement and capital improvements. To accomplish the objectives, the Board established the following:

- (1) Operating Reserve: This reserve is intended to be used to fund unplanned expenditures needed as a result of an emergency situation, and maintained at a level not exceeding a balance equaling six (6) months of operating expenses excluding depreciation and debt service.
- (2) Capital Improvement/Replacement Reserve: This reserve is intended to be used to fund the acquisition, replacement or construction of capital equipment or improvements that have met or exceeded their estimated useful lives. This reserve shall not exceed the replacement costs of 1 Five Million Gallon Tank, 1 Well, and 1 Booster Station.
- (3) Vehicle Reserve: This reserve is intended to be used to fund new and replacement vehicles and heavy equipment. This reserve shall not exceed a balance of \$350,000.
- (4) Computer Replacement Reserve: This reserve is intended to be used to fund new and replacement computer technology. The balance of this reserve shall not exceed \$100,000.

- (5) Future Sources of Supply Reserve: This reserve is intended to be used to fund the acquisition, investigation, development or construction of future sources of water supply. The reserve has no set maximum balance.

Amounts held in the District's reserve will be adjusted each year based on the District's operating surplus (or deficit) at the conclusion of each Fiscal Year. Funds are to be used to ensure continued orderly operation of the District's utility systems, with moneys set aside for unanticipated operations and maintenance expenses, extraordinary operating revenue deficits in lieu of a rate increase, future capital improvements, debt service obligations and to sustain District operations in the event of a disaster/emergency or significant economic downturn.

Debt Management Policy. The District has adopted a Debt Management Policy in accordance with California Government Code Section 8855 to establish guidelines and parameters for the effective governance, management and administration of debt issued by the District and its related entities and to ensure compliance with legislation, statutes and laws that place regulations on local agency debt. The following elements have been incorporated into the Debt Management Policy: (i) the purposes for which debt proceeds may be used; (ii) the types of debt that may be issued; (iii) the relationship of the debt to, and integration with, the District's capital improvement program or budget; (iv) policy goals related to the District's planning goals and objectives; and (v) internal control procedures, including the investment of proceeds, compliance with continuing disclosure undertakings and other post-issuance compliance matters.

## **Service Area**

The District provides water service to the City of Ridgecrest (the "City") and certain adjacent areas. The District's service area encompasses about 38 square miles, lying mostly within the northeastern portion of Kern County and a small portion of San Bernardino County. Approximately eight square miles of the District's service area are public lands under the jurisdiction of the United States Bureau of Land Management, and slightly more than four square miles are situated within Air Installation Compatible Use Zones under the jurisdiction of the Naval Air Weapons Station, China Lake (the "China Lake Naval Air Station"). There is partial overlap of these federal lands; together they occupy about 12 square miles of the District's total service area. Ground surface elevations within the District's service area range from approximately 2,250 feet above sea level to approximately 3,200 feet above sea level.

A majority of the District's service area lies within the City. The City encompasses an area of approximately 21.4 square miles, approximately 9 square miles of which lies within the China Lake Naval Air Station, which is under the jurisdiction of the U.S. Navy. The District does not provide water to the U.S. Navy. The predominant land use within the City is residential, which makes up approximately 39% of the City's land uses. Based on the City's most recent general plan, adopted December 2009, the land use within the City's planning area, excluding federal lands, consists of 39% residential, 3.5% commercial, 1.0% industrial, 52.5% open space, and 3.9% other (including City and county facilities, utilities, and other institutional uses). A relatively small portion of the District's service area is within an unincorporated area of San Bernardino County, adjoining the eastern boundary of the City. Land use within the San Bernardino County portion of the District's service area consists of residential use designated as "Rural Living," allowing for a maximum of one dwelling unit per 2.5-acre lot.

The Indian Wells Valley watershed consists of approximately 860 square miles; nearly 500 square miles in the mountains and hills and approximately 360 square miles on the valley floor. Average precipitation within the watershed ranges from approximately 2 to 5 inches per year, with the surrounding mountains receiving varying quantities of rainfall up to 10 inches per year. The Indian Wells Valley is bounded by the Sierra Nevada on the west, the Coso Range on the north, the Argus Range on the east, and the El Paso Mountains on the south.

## **Powers**

The District has broad general powers over the use of water within its boundaries, including the right of eminent domain and the authority to acquire, control, distribute, store, spread, sink, treat, purify, reclaim, recapture and salvage any water for beneficial use, to acquire, construct and operate facilities for the collection, treatment, and disposal of storm water, to sell and deliver potable or non-potable water, to contract with the United States, other public agencies, private corporations, or other persons and, subject to constitutional limitations, to levy assessments, taxes and standby charges.

## **Budget Process**

The District prepares and adopts a balanced operating budget for each Fiscal Year which includes proposed expenditures and the means of financing such expenditures (the “Operating Budget”). The District’s budgets are generated using a judicious combination of sources and methods. The General Manager and the Chief Financial Officer are responsible for the formulation and administration of the District’s Operating Budget and Capital Improvement Projects (CIP) Budget (CIP Budget) and for their execution, review and financial analysis.

A variety of historical water usage statistics and general community growth trends are used to project future water sales and related water service revenues. Non-operating revenues are projected by means of anticipated cash flows and related rates of interest. The District’s Position Control Policy regulates personnel costs. Non-personnel expense budgets are developed on a line-item basis by staff. Justification for all material variances between budget requests and past experience must be provided if the change is to be included in the proposed budget. The CIP Budget is derived from the District’s General Plan. Capital improvements are budgeted on an annual basis from the Capital Improvements Reserve.

The Plant & Equipment Committee reviews the proposed CIP Budget. The Finance Committee reviews both the proposed Operating Budget and the proposed CIP Budget. Once these committees have reviewed and recommended the proposed budgets, the forecasts are available to the public for review. Ultimately, the budgets are submitted to the Board for final approval in a public meeting. A mid-year budget analysis is performed each year. Additional appropriations and modifications of the budget could be enacted, if necessary. Both the Operating and CIP Budgets are available for viewing at the District’s website to ensure the widest possible dissemination.

## **District Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (the “SDRMA”), an intergovernmental risk sharing joint powers

authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2022, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: to a combined total coverage limit of \$10,000,000 for general, auto and public officials' liability, increasing the limits on the insurance coverage noted above. Deductibles: General Liability Property Damage - \$500, Auto Liability Property Damage - \$1,000.

In addition, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis. A combined total of \$1 billion per occurrence (pool limit), subject to a \$1,000 deductible per occurrence unless otherwise listed in declarations.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence (pool limit), subject to a \$1,000 deductible per occurrence, unless other specific object or peril as listed on the declaration.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim, and an annual pool aggregate of \$8,500,000.
- Workers' compensation insurance up to statutory limits and Employer's Liability Coverage up to \$5 million.

Certain portions of the Water Enterprise, including underground pipelines that are not in the vicinity of the District's wells, are not covered by the District's property insurance. In addition, the District does not maintain insurance coverage for earthquake damage to Water Enterprise facilities. See the caption "RISK FACTORS – Insurance and – Natural Disasters" herein.

No assurance can be given as to the adequacy of the insurance maintained now or in the future by the District to fund necessary repairs or replacement of any portion of the Water Enterprise, and the District does not have any obligation under the Installment Sale Agreement to maintain earthquake coverage or other policies in the current coverage amounts. Significant damage to the Water Enterprise could affect the District ability to generate sufficient Net Revenues to pay the Installment Payments.

See Appendix A under the caption “INSTALLMENT SALE AGREEMENT – COVENANTS OF THE DISTRICT – Insurance” herein for a description of insurance coverages that are required to be maintained while the Bonds are outstanding.

### **Outstanding Parity Obligations**

The District has no outstanding obligations that are payable from Net Revenues of the Water Enterprise on a senior basis to the Installment Payments. The 2016 Obligations and the 2018 Obligations are payable from and secured by the Net Revenues on parity with the Bonds. The District is permitted to incur Additional Obligations that are payable from Net Revenues on a parity with the Installment Payments in the future upon satisfaction of the conditions that are described under the caption “SECURITY FOR THE BONDS – Issuance of Additional Obligations” herein.

### **COVID-19 Outbreak**

The spread of the strains of coronavirus which are collectively called SARS-CoV-2, which cause the disease known as COVID-19 (“COVID-19”), and governmental actions in response to COVID-19, impacted the District’s operations and finances in recent years. In response to the initial outbreak, the World Health Organization declared a pandemic and, on March 4, 2020, as part of the State’s response to the outbreak, the State Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments.

The federal government adopted a number of measures to help address the impacts of COVID-19, including the American Rescue Plan Act of 2021, under which the District received a total of \$116,992, which it applied to assigning a quantitative value for loss of productivity, recouping direct COVID-19-related expenditures and recognition of essential services.

The Governor suspended utility service shutoffs and the collection (although not the imposition) of late fees and penalties for residential customers through December 31, 2021. The imposition of late fees (although not yet their collection) resumed on July 1, 2021. As a result of the foregoing actions, the District’s accounts receivable balance increased between mid-2020 and late 2021. The District has since reinstated its standard collection procedures which were in place prior to the pandemic. See the caption “THE WATER ENTERPRISE – Delinquent Accounts.”

The District reports that Water Enterprise revenues and expenses for Fiscal Years 2020 through 2022 were not materially affected by the COVID-19 outbreak. The District’s customer base is primarily residential and its water rate structure consists of variable and fixed rate components, which partially mitigates the effect of any reduced water usage by non-residential customers. See the captions “THE WATER ENTERPRISE – Historical Water Enterprise Connections” and “THE WATER ENTERPRISE – Enterprise Rates and Charges” herein. To date, the District has not experienced and does not at this time foresee a future negative impact on Water Enterprise operations or the execution of District services as a result of the COVID-19 outbreak.

## THE WATER ENTERPRISE

### General

The District owns and operates water supply wells, storage tanks, and distribution system pipelines that supply chlorinated groundwater to approximately 12,431 active accounts. Of those service connections, 11,715 are residential, 560 are commercial, 116 are government/school. The District anticipates growth of approximately 5% additional residential customers over the next five years. The Water Enterprise consists of approximately 11 active production wells, 13 above ground tanks, 73 miles of 12-inch diameter or larger pipe and about 145 miles of less than 12-inch diameter pipe. The Water Enterprise also has 6 booster facilities, 8 emergency standby generators for wells, and 2 emergency standby generators for boosters. The District's wells have a nominal production capability of approximately 13,900 gallons per minute (gpm), which exceeds the current maximum daily demand of 4,400 gpm, by about 9,500 gpm.

### Water Supply Sources

The District produces 100% of its water from local groundwater basin known as the Indian Wells Valley Groundwater Basin (the "Groundwater Basin"), which is designated basin number 6-54 in Department of Water Resources Bulletin No. 118. The District does not purchase or otherwise obtain water from a wholesale water supplier, and recycled water is not currently available to the District. The District currently expects that groundwater extracted from the Groundwater Basin will continue to be its primary source of water through the year 2045, and possibly beyond. In its 2016 Bulletin 118 interim update, the California Department of Water Resources (DWR) identified the Groundwater Basin as a critically overdrafted basin of high priority.

The Groundwater Basin is located in the northwestern part of the Mojave Desert in southern California, and underlies approximately 382,000 acres or approximately 600 square miles of land area in portions of the Counties of Kern, Inyo, and San Bernardino, with the majority (approximately 73%) being in Kern County. The Groundwater Basin is managed by the Indian Wells Valley Groundwater Authority (the "Groundwater Authority") which is governed by five public agencies (the District, the City of Ridgecrest, Kern County, Inyo County, and San Bernardino County) that serve as General Members on the Groundwater Authority Board of Directors. A significant amount of land overlying the Groundwater Basin comprises either the China Lake Naval Air Station or public lands managed by the United States Bureau of Land Management ("BLM"). The U.S. Navy and BLM serve as Associate Members (non-voting) on the Groundwater Authority Board of Directors.

The Groundwater Basin is one of the most studied basins in the State. This is a result, in part of the U.S. Navy having a large presence in the area, with monitoring wells and other activities having been undertaken in the past. Currently, the State is using special technology to assess the amount of water in the Groundwater Basin, and has committed to investing additional funds to develop additional information on the Groundwater Basin and its water supplies. A report published by the United States Bureau of Reclamation in 1993 estimated there were 3 million acre feet in storage in the top 300 feet of the underground Groundwater Basin. Taking into account reported pumping since that time, the District estimates there is at least 2.5 million acre feet in storage in the top 300 feet of the Groundwater Basin. Annual production from all local agencies that draw from the Groundwater Basin (including, but not limited to the District) is estimated at [29,000] acre feet per year.

The biggest concern related to the District's water supply relates to water quality, more specifically the amount of total dissolved solids ("TDS") in the water that is extracted from the Groundwater Basin. In general, water that is lower down in the Groundwater Basin has more TDS than water that is at the top of the Groundwater Basin. Accordingly, if the water level in the Groundwater Basin declined substantially, the District's costs to lift and treat water from the Groundwater Basin would increase. For a description of the activities being undertaken with respect to sustainable management of the Groundwater Basin, see "Sustainable Groundwater Management Act" below.

As an urban water supplier, the District is required to prepare and adopt an Urban Water Management Plan (the "UWMP") every five years and to submit same to the DWR. In 2021, the District adopted its latest UWMP (the "2020 UWMP"). The District has actively encouraged community participation in its urban water management planning efforts since its first UWMP was developed in 1985. The District has adopted an updated version of its UWMP every five years since, which reflected then-current conditions within the District's boundaries, including projected water supplies and demands. Beginning with the 2020 UWMP, a Water Shortage Contingency Plan (the "WSCP") is required to be included in the UWMP. The WSCP is a separate, stand-alone document that is adopted separately from the UWMP; however, it is included within the 2020 UWMP.

The UWMP includes background information regarding groundwater supply and historic water use within the District's service area, as well as water management tools and options that will enable the District and area residents to maximize efficient use of the limited available water resources, reduce per capita water use, and decrease the potential future need to import water from other regions.

### **Sustainable Groundwater Management Act**

As an unadjudicated groundwater basin, the Groundwater Basin is subject to the provisions of Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the "Sustainable Groundwater Management Act," or "SGMA") which was enacted on September 16, 2014. SGMA constitutes a legislative effort to regulate groundwater on a statewide basis. SGMA empowers local agencies to manage groundwater basins in a sustainable manner over a long-term horizon and to tailor groundwater sustainability plans to their regional economic and environmental needs.

DWR has designated the Groundwater Basin as a high priority basin for purposes of groundwater management. SGMA provided that by January 31, 2017, local water supply, water management or land use agencies must establish or designate an entity (referred to as a "Groundwater Sustainability Agency," or "GSA"), subject to DWR's approval, to manage each high and medium priority groundwater basin. The Groundwater Authority is the exclusive GSA for the entirety of the Groundwater Basin.

The purpose of the Groundwater Authority is to create a Groundwater Sustainability Plan (a "GSP") governing the management of groundwater resources in the Groundwater Basin in accordance with SGMA requirements. Each GSA for critically-overdrafted high priority groundwater basins was tasked with submitting a GSP for DWR's approval by January 30, 2020. The Groundwater Authority, as the GSA for the Groundwater Basin, submitted its GSP for DWR's approval by the January 30, 2020 deadline.

GSAs must consider the interests of all groundwater users in the basin and may require registration of groundwater users, the installation of flow meters to measure groundwater extractions and annual reporting of extractions. In addition, GSAs are authorized to impose spacing requirements on new wells, monitor,

regulate and limit or condition groundwater production and establish production allocations among groundwater producers, among other powers. GSAs are authorized to impose fees to fund such activities and to fine or issue cease and desist orders against producers that violate the GSA's regulations. A local agency that manages groundwater pursuant to its principal act (such as the District) may not exercise such authority in a manner that is inconsistent with any prohibitions or limitations in its principal act unless the governing board of such local agency makes a finding that such local agency is unable to sustainably manage the groundwater basin without the prohibited authority. GSPs must include sustainability goals and a plan to implement such goals within 20 years.

According to the GSP for the Groundwater Basin, the results of overdraft have resulted primarily in the chronic lowering of groundwater levels, the degradation of water quality, and the reduction of groundwater in storage throughout the Groundwater Basin. Due to the location of the Groundwater Basin, seawater intrusion is not currently applicable and is not of concern in the future. The GSP recommends management actions and projects, and provides measurable sustainability objectives and milestones that are intended to achieve Groundwater Basin sustainability while considering the unique geologic and hydrogeologic conditions of the Groundwater Basin. The GSA states that the recommendations contained therein will provide for long-term sustainable groundwater management in the Groundwater Basin within 20 years of GSP implementation.

A copy of the complete GSP, including appendices, is available online at <https://sgma.water.ca.gov/portal/gsp/preview/59>; however, none of the GSP Information is incorporated into this Official Statement by reference thereto, and the District makes no representation as to the accuracy or completeness of such information.

## **Basin Adjudication**

The Groundwater Basin is not adjudicated. The District has initiated a water rights lawsuit to resolve the long-standing overdraft conditions in the Groundwater Basin where water extractions have exceeded natural recharge for years. This action is referred to as a "comprehensive adjudication" and should determine the water rights and quantities of all groundwater pumpers in the Groundwater Basin. This action by the District is necessary to protect and conserve the limited water supply that is vital to the public health, safety, and welfare of all persons and entities in the Groundwater Basin area.

Conditions of overdraft have existed in the Groundwater Basin for decades as a result of groundwater pumping exceeding natural recharge into the Groundwater Basin. Approximately 301,000 acres (of the total 382,000 acres) of land overlying the Groundwater Basin are federal property managed by the U.S. Navy, BLM, and the United States Forest Service. The non-federal lands overlying the Groundwater Basin consist of the City of Ridgecrest and unincorporated land in the counties of Kern, San Bernardino, and Inyo.

Water rights of the federal government are beyond the jurisdiction of the State to regulate. Under applicable law, the federal government may only participate in a water rights lawsuit if such a case is considered to be a comprehensive adjudication. Such steps will involve all stakeholders and pumpers, protect the general welfare of the Groundwater Basin, protect the District's right to pump groundwater from the Groundwater Basin, protect groundwater quality, and manage water costs to the public. The lawsuit will be filed by the District individually, and not as a member of the Groundwater Authority. [We need the anticipated timeline for filing and resolution]

## **Long-Term Water Supply Opportunities**

The District does not currently have the infrastructure or agreements that would enable importation of water from outside the local area. Procuring an imported water supply would require purchasing water supplies as well as constructing additional infrastructure. As a member of the Groundwater Authority, the District is involved in certain projects described in the GSP. The GSP includes various water supply projects intended to achieve the sustainability goal. The sustainability goal is to manage and preserve the Groundwater Basin resource as a sustainable water supply. Some of these projects are briefly described below and are described in detail in the GSP.

The GSP includes a project identified as “Project No. 1: Develop Imported Water Supply.” The majority of the Groundwater Basin is within the boundaries of the Kern County Water Agency (“KCWA”), which is a State Water Project (“SWP”) Contractor. The District has had discussions with KCWA in the past regarding short-term and long-term water acquisition, exchanges, and transfers; however, KCWA does not have any unused SWP water that can be made available at this time.

A small portion in the southern part of the Groundwater Basin is within the boundaries of Antelope Valley - East Kern Water Agency (“AVEK”). The nearest existing imported water conveyance facilities are the Los Angeles Department of Water and Power's (“LADWP's”) Los Angeles Aqueduct (the “LA Aqueduct”) and AVEK’s water transmission pipeline that terminates near California City (the “California City Pipeline”). The LA Aqueduct conveys surface water runoff from the Eastern Sierra Nevada in Inyo County as well as groundwater from the Mono Basin (collectively referred to herein as “Owens Valley Water”). The LA Aqueduct extends through the western portion of the Groundwater Basin, including through the Freeman-Dixie Wash and El Paso areas. The California City Pipeline is located at California City, approximately 15 miles south of the Groundwater Basin boundaries and 50 miles south of the City of Ridgecrest.

"Project No. 1: Develop Imported Water Supply" includes two options, and it is anticipated that either one or both options will be fully implemented by 2035. These two options are summarized below and are described in additional detail in the GSP.

Under Option 1: Direct Use Project with AVEK, the Groundwater Authority would purchase SWP Table A Entitlement water or potentially a combination of other short- and long-term water supplies in coordination with KCWA, and the Groundwater Authority would arrange for the purchased water to be wheeled through existing AVEK facilities.

Under Option 2: Groundwater Recharge Project with LADWP, the Groundwater Authority would purchase SWP Table A Entitlement water or potentially a combination of other short- and long-term water supplies in coordination with KCWA, and the IWVGA would arrange for the purchased water to be delivered to the Metropolitan Water District of Southern California (“MWD”) and subsequently provided to LADWP for use in LADWP's service area. In exchange, LADWP would provide Owens Valley water from the LA Aqueduct to the Groundwater Basin for use in a groundwater recharge project.

## **Water Quality [Are there any PFAS issues?]**

Groundwater quality varies significantly within the Groundwater Basin. The quality is generally good along the margins and southern portion, and more degraded in the central and eastern portions of the Groundwater Basin. Certain portions of the Groundwater Basin contain water with concentrations of total TDS greater than what is recommended for domestic use. For this reason, the District’s domestic water supply wells are located in areas where the water has lower TDS concentrations, and are spaced far enough apart to prevent migration of higher TDS water into the pumping zones. Additionally, the District treats water from four of its domestic water supply wells to remove arsenic prior to distributing the water to customers.

**Water Shortage Contingency Plan**

The District prepared its initial Water Shortage Contingency Plan in 1992 (the “1992 WSCP”) and adopted the same by Resolution No. 92-08 on April 27, 1992. The 1992 WSCP was prepared in response to the adoption of California Assembly Bill 11X (“AB 11X”) relating to drought contingency in California. The District recently prepared a revised 2023 Water Shortage Contingency Plan (the “2023 WSCP”). The 2023 WSCP is intended to create a standard and uniform response to a water shortage or a catastrophic interruption of water supplies. Factors that can cause water supply shortages or supply interruptions for the District are earthquakes, equipment failure, chemical spills, and energy outages at treatment and pumping facilities. The District does not anticipate any inconsistency in supply due to legal, environmental, water quality, or climate factors. The actions the District will take in the event of a water supply shortage or supply interruption are described in the 2023 WSCP.

The District maintains a website, [www.iwvwd.com](http://www.iwvwd.com), with public notices, announcements, mandatory and voluntary water conservation measures, conservation tips, adopted ordinances, and other information. The District prominently displays on its website notice of current or predicted water shortages or any shortage response actions triggered or anticipated to be triggered by the annual water supply and demand assessment or by the District’s routine monitoring activities; however, the information on the District’s website is not incorporated into this Official Statement by reference thereto, and the District makes no representation as to the accuracy or completeness of such information.

**Historical and Projected Water Production**

Tables 3 and 4 below include, respectively, the annual quantities of groundwater pumped during 2015 through 2020 and the quantities of groundwater projected to be pumped in 2025 through 2045, in five-year intervals.

**Table 3  
Indian Wells Valley Water District  
(Fiscal Years ending June 30<sup>th</sup> 2015 through 2020)**

<b>QUANTITIES OF GROUNDWATER PUMPED (AF/YR)</b>						
<b><u>Basin Name</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
Indian Wells Valley Groundwater Basin	6,145	6,381	6,507	6,765	6,116	6,311

*Source: Indian Wells Valley Water District.*

**Table 4**  
**Indian Wells Valley Water District**  
**(Fiscal Years ending June 30<sup>th</sup> 2025 through 2045)**

<b>QUANTITIES OF GROUNDWATER PROJECTED TO BE PUMPED (AF/YR)</b>					
<b><u>Basin Name</u></b>	<b><u>2025</u></b>	<b><u>2030</u></b>	<b><u>2035</u></b>	<b><u>2040</u></b>	<b><u>2045</u></b>
Indian Wells Valley Groundwater Basin	6,930	7,130	7,690	7,830	8,050

*Source: Indian Wells Valley Water District.*

In Table 3, the quantities of groundwater pumped are based on the District’s records of gross well production. In Table 4, the quantities of groundwater projected to be pumped are based on population projections, customer-type proportions, and production per connection in 2018.

**District Customers**

The District provides water service to approximately 12,431 customers. Residential customers account for about 95% of the total number of accounts. All of the District’s service connections are metered. The following Table 5 shows a history of water customers by fiscal year for the past five years.

**Table 5**  
**Indian Wells Valley Water District**  
**(Fiscal Years ending June 30<sup>th</sup> 2018 through 2022)**

<b>NUMBER OF CONNECTIONS BY CUSTOMER CLASS</b>					
<b><u>Customer Class</u></b>	<b><u>2017-18</u></b>	<b><u>2018-19</u></b>	<b><u>2019-20</u></b>	<b><u>2020-21</u></b>	<b><u>2021-22</u></b>
Single-Family Residential	10,937	10,536	10,667	11,335	11,376
Multi-Family Residential	345	344	362	375	379
Commercial/Institutional	527	518	519	551	560
Public	114	121	120	121	116
<b>Total</b>	<b>11,923</b>	<b>11,519</b>	<b>11,668</b>	<b>12,382</b>	<b>12,431</b>

*Source: Indian Wells Valley Water District.*

The following Table 6 shows service charge revenues by customer class for the past five fiscal years.

**Table 6**  
**Indian Wells Valley Water District**  
**(Fiscal Years ending June 30<sup>th</sup> 2018 through 2022)**

<b>REVENUES BY CUSTOMER CLASS</b>					
<b><u>Customer Class</u></b>	<b><u>2017-18</u></b>	<b><u>2018-19</u></b>	<b><u>2019-20</u></b>	<b><u>2020-21</u></b>	<b><u>2021-22</u></b>
Single-Family Residential	\$6,416,038	\$6,140,891	\$6,258,603	\$6,528,219	\$6,319,823
Multi-Family Residential	695,455	647,556	612,280	652,489	720,900
Commercial/Institutional/Public	1,418,823	1,299,162	1,293,157	1,378,733	1,454,948
<b>Total</b>	<b>\$8,530,316</b>	<b>\$8,087,609</b>	<b>\$8,164,040</b>	<b>\$8,559,441</b>	<b>\$8,495,671</b>

*Source: Indian Wells Valley Water District.*

The following Table 7 sets forth the ten largest customers of the Water Enterprise for the fiscal year ending June 30, 2023, along with their annual billed water charges and percent of total annual billed service charges.

**Table 7**  
**Indian Wells Valley Water District**  
**(Fiscal Year ending June 30<sup>th</sup> 2023)**

<b>TEN LARGEST CUSTOMERS BY REVENUE</b>			
<b><u>Customer</u></b>	<b><u>Business type</u></b>	<b><u>Billed Amount</u></b>	<b><u>% of Total Billings</u></b>
Kern Community College District	Governmental	\$332,911	2.24%
Ridgecrest Regional Hospital	Hospital	\$73,848	0.50%
Green Acres Estates	Mobile Home Park	\$67,635	0.46%
Santiago Ridgecrest Estates	Mobile Home Park	\$67,359	0.45%
County of Kern	Governmental	\$66,002	0.44%
ECC - Man Camp	Governmental	\$53,348	0.36%
Ridgecrest Housing Investors	Apartments	\$43,331	0.29%
Kern County Parks	Public	\$40,844	0.28%
Chila Prop Corp.	Mobile Home Park	\$35,857	0.24%
Gateway Villa, LLC	Apartments	\$34,560	0.23%
<b>Total Top Ten Customers</b>		<b>\$815,695</b>	<b>5.49%</b>
<b>Total All Customers</b>		<b>\$14,857,832</b>	<b>100%</b>

*Source: Indian Wells Valley Water District.*

## Water Consumption

The following Table 8 shows the District's historical water consumption by customer class. In Fiscal Year 2021-22, the District's average water usage was about 5 mgd, amounting to approximately 5,600 acre feet per year.

**Table 8**  
**Indian Wells Valley Water District**  
**(Fiscal Years ending June 30<sup>th</sup> 2018 through 2022)**

<b>WATER CONSUMPTION IN HUNDRED CUBIC FEET<sup>(1)</sup></b>					
<b><u>Customer Class</u></b>	<b><u>2017-18</u></b>	<b><u>2018-19</u></b>	<b><u>2019-20</u></b>	<b><u>2020-21</u></b>	<b><u>2021-22</u></b>
Single-Family Residential	2,001,093	1,895,681	1,843,211	1,952,664	1,788,626
Multi-Family Residential	233,942	226,542	208,994	221,750	232,991
Commercial/Institutional	256,334	250,197	242,384	244,480	269,291
Public	<u>156,906</u>	<u>139,672</u>	<u>136,150</u>	<u>147,741</u>	<u>152,867</u>
<b>Total</b>	<b>2,648,275</b>	<b>2,512,092</b>	<b>2,430,739</b>	<b>2,566,635</b>	<b>2,443,775</b>

(1) One HCF equals 748 gallons.

(2) Does not include water use for construction and fire use.

Source: Indian Wells Valley Water District.

### **Water Enterprise Rates and Charges**

**General.** Rates and charges for water service within the Water Enterprise service area are set by the Board of Directors and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. District customers are billed monthly for water service.

**Rate Increases.** The Board of Directors has the ability to increase rates and charges through a public hearing process. Prior to adopting a fee or charge, the District is required under Proposition 218 to conduct a public hearing and receive protests. If the District should receive a majority of written protests from its customers, the District would not be authorized to impose the increased rate or charge. See “CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES – California Constitutional Articles XIIC and Article XIID” herein

**Water Service Charges.** The District has separated its customer base into various classes, and the rates charged to each class of customer varies. Customers pay both a fixed ready-to-serve charge based on meter size and meter capacity, plus an additional charge to cover the District’s arsenic compliance costs, plus a metered quantity charge based on metered water consumption. The quantity charges are billed according to tiers; the cost per unit of water increases as the amount of water use increases. The amount of water billed in each tier varies by meter size with larger meter sizes receiving larger amounts of water in each rate tier.

Certain customers also pay elevation zone charges, which are calculated based on elevation zone and amount of water use. The elevation zone charges are designed to recover the cost of pumping water to higher elevation zones and are adjusted periodically by the District. There are five elevation zones within the District.

Pursuant to Board of Directors adoption of Ordinance 107, effective April 1, 2023, the District adopted its most recent schedule of water rates, which are summarized in the following tables.

The following table 9 sets forth the current and projected “Monthly Ready-to-Serve Charge” which is generally intended to cover the fixed expenses of the District, excluding interest expense.

**Table 9**  
**WATER ENTERPRISE**  
**Projected Water Rate Schedule**

MONTHLY READY-TO-SERVE CHARGES <sup>[1]</sup>					
Meter Size	Current Charge	Effective 01/01/2024	Effective 01/01/2025	Effective 01/01/2026	Effective 01/01/2027
3/4"	\$35.70	\$38.56	\$41.64	\$44.14	\$46.79
1"	\$54.88	\$59.27	\$64.01	\$67.85	\$71.93
1-1/2"	\$102.80	\$111.03	\$119.91	\$127.11	\$134.74
2"	\$160.32	\$173.14	\$186.99	\$198.21	\$210.10
3"	\$313.72	\$338.82	\$365.93	\$387.89	\$411.16
4"	\$486.28	\$525.18	\$567.20	\$601.23	\$637.31
6"	\$965.60	\$1,042.86	\$1,126.28	\$1,193.86	\$1,265.49
8"	\$1,540.80	\$1,664.07	\$1,797.20	\$1,905.03	\$2,019.33
10"	\$2,211.88	\$2,388.83	\$2,579.94	\$2,734.73	\$2,898.81

[1] The rates set forth in this which reflect the most recent schedule of water rates pursuant to Ordinance 107 which was adopted by the Board of Directors of the District on March 13, 2023.

Source: Indian Wells Valley Water District.

The following table 10 sets forth the current and projected “Monthly Arsenic Compliance Charge” which is intended to cover the District’s total arsenic compliance costs, including corresponding debt principal and operations expenses.

**Table 10**  
**WATER ENTERPRISE**  
**Projected Water Rate Schedule**

MONTHLY ARSENIC COMPLIANCE CHARGES <sup>[1]</sup>					
Meter Size	Current Charge	Effective 01/01/2024	Effective 01/01/2025	Effective 01/01/2026	Effective 01/01/2027
3/4"	\$10.28	\$11.10	\$11.99	\$12.71	\$13.47
1"	\$17.13	\$18.50	\$19.98	\$21.18	\$22.45
1-1/2"	\$34.27	\$37.01	\$39.97	\$42.37	\$44.91
2"	\$54.83	\$59.22	\$63.96	\$67.80	\$71.87
3"	\$109.65	\$118.42	\$127.89	\$135.56	\$143.69
4"	\$171.33	\$185.04	\$199.84	\$211.83	\$224.54
6"	\$342.67	\$370.08	\$399.69	\$423.67	\$449.09
8"	\$548.27	\$592.13	\$639.50	\$677.87	\$718.54
10"	\$788.13	\$851.18	\$919.27	\$974.43	\$1,032.90

[1] The rates set forth in this table reflect the most recent schedule of water rates pursuant to Ordinance 107 which was adopted by the Board of Directors of the District on March 13, 2023.

Source: Indian Wells Valley Water District.

The following Table 11 sets forth the current and projected “Zone Charge” which is intended to recover from customers all the variable direct costs of power to supply water to the higher zones. Other variable direct costs could be charged to these customers when there is a reasonable way to identify and quantify them. The Zone Charge is assessed as a multiple of the customer’s zone against their usage. Each zone represents a difference of approximately 100 feet in elevation. The zones are designated A (lowest), B, C, D, and E (highest). Zone Charges are applied to customers in zones B, C, D, and E.

**Table 11**  
**WATER ENTERPRISE**  
**Projected Water Rate Schedule**

ZONE CHARGES <sup>[1][2]</sup>					
Zone	Effective 03/01/2023	Effective 01/01/2024	Effective 01/01/2025	Effective 01/01/2026	Effective 01/01/2027
B-Zone	\$0.27	\$0.29	\$0.31	\$0.33	\$0.35
C-Zone	\$0.50	\$0.54	\$0.58	\$0.61	\$0.65
D-Zone	\$0.77	\$0.83	\$0.90	\$0.95	\$1.01
E-Zone	\$1.04	\$1.12	\$1.21	\$1.28	\$1.36

[1] The zone charges are, per 100 cubic feet.

[2] The rates set forth in this table reflect the most recent schedule of water rates pursuant to Ordinance 107 which was adopted by the Board of Directors of the District on March 13, 2023.

Source: Indian Wells Valley Water District.

**Connection Charges.** New customers connecting to the Water Enterprise are required to pay a number of one-time fees and charges prior to receiving water service from the District. These fees include the following:

*Capital Facility Fee* – This fee recovers the cost of water supply, storage, major transmission and distribution pipelines, and related facilities needed to provide capacity to serve new development. The fee is based on meter size and meter capacity. The Capital Facility Fee for a typical new residential account with a 3/4-inch meter is \$5,068.

*Distribution System Fee* – This fee recovers the cost of water distribution system pipelines typically located between main transmission lines and service laterals. The fee is calculated on a front-footage basis based on the longest side of the parcel abutting a water main. Customers whose water mains were privately funded are exempted from this fee. The Distribution System Fee for a 3/4-inch meter is \$3,724.

*Service Installation Charges* – These charges recover the cost for the purchase and installation of a water meter and/or water service lateral. The typical charge for installing a 3/4-inch meter is \$382 and an additional charge of \$757 is levied to install a service lateral from the water main to the meter location for 3/4” meters.

### Rate Setting and Collection Process

The District, subject to the requirements of Proposition 218 set forth below, has the power to establish rates and charges for water service as needed, without the overview of any other governmental agency. The

present rate schedule for water service rates and charges was established by District Ordinance No. 107, effective April 1, 2023.

In November 1996, citizens of the State of California passed a Constitutional amendment known as Proposition 218, which added Articles XIII C and XIII D to the State Constitution. This amendment changed the process for increasing property-related fees within the State and potentially affects the District’s ability to impose future rate increases. See “CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES – California Constitution Articles XIII C and XIII D.” Proposition 218 conditions the imposition or increase of any water service fee or charge upon there being no written majority protest after a required public hearing.

Under the protest hearing process, property owners within the service area are mailed a rate increase notice and protest form detailing the proposed rate increase. To oppose the rate increase, the property owner must return the protest form to the District. To support the rate increase, there is no action required on the part of the property owner. If written protests against the proposed rate increase are returned to the District no later than the end of the protest hearing by a majority of owners of the identified parcels, the District may not approve the proposed rate increase. If the protest fails with less than a majority protest, then the District can approve a rate increase not to exceed the rate increase detailed in the protest form. The District believes that it has followed the Proposition 218 process in connection with its water related rate increases effective April 1, 2023, which include the rate increases through 2027. See also “RISK FACTORS – Rate Process” herein.

**Comparative Rates**

Table 12 below sets forth a comparison of average base monthly bill (based on a 3/4 inch connection at an estimated average monthly use of 4hcf) for a single family residential unit in the District to those of surrounding communities, based on rates in effect as of January 1, 2024.

**Table 12  
WATER ENTERPRISE**

<b>COMPARISON OF WATER ENTERPRISE RATES AND CHARGES</b>	
<b><u>Agency</u></b>	<b><u>Average Monthly Charge*</u></b>
Indian Wells Valley Water District	\$57.90
Kernville	\$154.60
City of Bakersfield	\$38.24
Antelope Valley District	\$65.43
Hesperia Water District	\$76.47
City of Barstow	\$48.15
Boron CSD	\$47.00
Mojave PUD	\$45.45
California City	\$54.28

\* Based on monthly consumption of 4 hundred cubic feet (HCF) of water.  
Source: Indian Wells Valley Water District.

## Future Water Enterprise Improvements

The District has an ongoing CIP with respect to the Water Enterprise in connection with upgrades and replacement of dated facilities, i.e., replacing pipelines, replacing aging pipelines, replacing small diameter pipelines, replacing pipelines with frequent repairs, corrosion protection measures, increasing storage capacity, and capital improvement plan activities. Some of the District’s more significant CIP projects are highlighted in the following Table 13.

**Table 13**  
**WATER ENTERPRISE**

<b>CURRENT CAPITAL IMPROVEMENT PLAN<sup>[1]</sup></b>					
	<b><u>FY 2024</u></b>	<b><u>FY 2025</u></b>	<b><u>FY 2026</u></b>	<b><u>FY 2027</u></b>	<b><u>FY 2028</u></b>
<b><u>Water Supply</u></b>					
Ridgecrest Heights Booster			\$1,500,000		
Disaster Repair - Gateway Booster					
Miscellaneous Water Supply	<u>\$535,000</u>	<u>\$310,000</u>	<u>\$550,000</u>	<u>\$310,000</u>	<u>\$300,000</u>
<b>TOTAL WATER SUPPLY</b>	<b><u>\$535,000</u></b>	<b><u>\$310,000</u></b>	<b><u>\$2,050,000</u></b>	<b><u>\$310,000</u></b>	<b><u>\$300,000</u></b>
<b><u>Transmission and Distribution</u></b>					
Springer 24" Line		3,400,000 <sup>[2]</sup>			
Gateway Blvd 24"					
Bowman 30"					
Northwest Transmission Line 24"	\$7,500,000 <sup>[3]</sup>				
College Heights Blvd 18"					
Eastside 4" Lateral Replacements					
La Mirage Mainline Replacements				\$2,750,000	\$2,750,000
Tanks X 3					
Miscellaneous T&D	<u>\$77,000</u>	<u>\$827,000</u>	<u>\$277,000</u>	<u>\$77,000</u>	<u>\$77,000</u>
<b>TOTAL TRANSMISSION &amp; DISTRIBUTION</b>	<b><u>\$7,577,000</u></b>	<b><u>\$4,227,000</u></b>	<b><u>\$277,000</u></b>	<b><u>\$2,827,000</u></b>	<b><u>\$2,827,000</u></b>
<b>TOTAL TECH</b>	<b><u>\$15,000</u></b>	<b><u>\$30,000</u></b>	<b><u>\$15,000</u></b>	<b><u>\$15,000</u></b>	<b><u>\$30,000</u></b>
<b>TOTAL GENERAL PLANT</b>	<b><u>\$145,000</u></b>	<b><u>\$945,000</u></b>	<b><u>\$145,000</u></b>	<b><u>\$145,000</u></b>	<b><u>\$145,000</u></b>
<b>TOTAL CAPITAL PROGRAM:</b>	<b><u>\$8,272,000</u></b>	<b><u>\$5,512,000</u></b>	<b><u>\$2,487,000</u></b>	<b><u>\$3,297,000</u></b>	<b><u>\$3,302,000</u></b>

[1] All costs expressed in 2022 dollars.

[2] Estimated to be financed with debt proceeds.

[3] Estimated to be financed with a combination of debt and grant proceeds.

Source: Indian Wells Valley Water District.

The District intends on funding the majority of the highlighted capital improvements from annual revenues, connection fees and other available funds of the Water Enterprise; however, the District also anticipates funding some of the improvements with the proceeds of future long term indebtedness on parity with Installment Payments. See “THE INSTALLMENT SALE AGREEMENT – Issuance of Additional Debt” herein for a discussion of conditions which must be satisfied prior to issuance of any future parity obligation.

## **Delinquent Accounts**

All charges for residential water furnished by the District are due and payable when billed and become delinquent if not paid within thirty (30) days from the date the bill is mailed. Upon becoming delinquent, a late charge of \$2.00 plus five percent (5%) is assessed on unpaid amounts outstanding at the time of the next billing (typically 30 days). Customers that have entered into payment arrangements prior to the next billing are not assessed a delinquent fee on amounts subsequently paid according to the arrangement terms. The District will not discontinue residential water service for non-payment until requisite notice has been provided and payment by the customer has been delinquent for at least sixty (60) days.

The District considers its rates of payment delinquency, service discontinuance for non-payment and write-offs for uncollectible accounts to be low by water industry standards for urban areas. The write-offs for uncollectible accounts for the last five Fiscal Years never exceeded \_% of gross billings.

## **Operation, Management and Governance**

The District has primary responsibility for the day-to-day management, operation and maintenance of the Water Enterprise and has covenanted to operate the Water Enterprise in an efficient and economical manner and to operate, maintain and preserve the Water Enterprise in good repair and working order. The District endeavors to provide for the operation and maintenance of Water Enterprise facilities for the purpose of treating and utilizing water and its byproducts in accordance with federal, state, and local requirements; to provide a healthy and nuisance-free environment; to plan for future water treatment needs to meet the anticipated growth of the District; and to establish water user fees for properties receiving District water service.

The District has covenanted that, in order to fully preserve and protect the priority and security of the Bonds, it will pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water Enterprise which, if unpaid, may become a lien or charge upon the Gross Revenues or the Net Revenues prior or superior to the lien granted under the Installment Sale Agreement, or which may otherwise impair the ability of the District to pay the Installment Payments in accordance therewith.

## **Outstanding Water Enterprise Indebtedness**

On the date of issuance of the Bonds, the District will prepay certain outstanding indebtedness relating to the Water Enterprise as described under “THE FINANCING PLAN” above. After such prepayment, the District will have no outstanding indebtedness secured by Net Revenues of the Water Enterprise other than the Installment Payments.

## **Drought Conditions and Risk Assessment**

California is subject to drought conditions. Since 2000, the longest duration of drought (in varying levels of intensity) in California lasted 376 weeks beginning in December 2011 and ending in early March 2019. The most intense period of drought occurred the week of July 29, 2014, with extreme drought conditions experienced in over half the state. On October 19, 2021, the Governor declared a Statewide drought state of

emergency and requested that all water users voluntarily reduce water use by 15%. On March 24, 2023, the Governor eased the emergency drought restrictions imposed as a result of the Governor’s 2021 declaration. There can be no assurance that subsequent declarations will not impose mandatory water use restrictions should dry conditions persist in the future years. The District cannot predict when or how long drought conditions will recur and persist, what effect drought conditions may have on property values, to what extent water reduction requirements may affect property owners, or to what extent a drought could cause disruptions to economic activity within the District.

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. More recently, SB 1157 became effective on January 1, 2023. These bills relate to water conservation and drought planning and empower DWR and the State of California Water Resources Control Board to adopt long-term standards. The District has also completed its 2023 WSCP, as well as its UWMP containing a section entitled “Drought Risk Assessment” where it provides that, based on the District’s assessment of the available data, the District has a reliable, adequate supply of water to meet demands within its service area over the 25-year planning horizon of the UWMP, even with extended drought conditions. For additional information, see “THE WATER ENTERPRISE – Water Shortage Contingency Plan” and “RISK FACTORS – Natural Disasters” herein.

The District voluntarily participates in a number of community events and distributes materials that encourage water use efficiency. The District also offers educational, irrigation system retrofit and rebate programs to increase residential, commercial and institutional water use efficiency. Additionally, the District has multiple ordinances in effect that prohibit or restrict specific water use practices.

## **FINANCIAL INFORMATION**

### **Available Cash**

As of June 30, 2023, the District had \$10,565,495 in available cash and investments, including reserves and funds that are restricted for capital expenditures.

### **Historical Operating Results and Debt Service Coverage**

The following Table 14 is a summary of operating results of the Water Enterprise for Fiscal Years ended June 30, 2021 and June 30, 2022, and budget for Fiscal Years ended June 30, 2023 and June 30, 2024. See APPENDIX B for the audited financial statement for the Fiscal Year ended June 30, 2022. The auditor has not reviewed such statements in connection with their inclusion in this Official Statement, nor has the District requested such a review. Selected information from the aforementioned audited financial statements has been used to prepare the following five-year comparative summary.

The results presented in the following summary are qualified in their entirety by reference to the respective annual consolidated audited financial statements of the District, including the notes thereto. Copies of the District’s audited financial statements can be obtained at the office of the Chief Financial Officer.

**Table 14**  
**Indian Wells Valley Water District**  
**(Fiscal Years ending June 30, 2021 through June 30, 2024)**

<b>HISTORICAL OPERATING RESULTS</b>				
	<b>Audit 2021</b>	<b>Audit 2022</b>	<b>Budget 2023</b>	<b>Budget 2024</b>
<b>Rate Revenue [1]</b>				
<b>Usage Revenue</b>	\$6,684,360	\$8,542,606	\$9,718,642	\$9,026,188
Fixed revenue (RTS, Arsenic & Fire)	\$6,368,421	\$6,905,122	\$6,239,452	\$6,926,403
Other Rate Revenue (Bulk & Construction)	\$213,981	\$207,183	\$197,401	\$202,757
<b>Non-Rate Revenues</b>				
Miscellaneous Fees	\$580,297	\$585,531	\$386,000	\$386,000
Interest Earnings	\$104,595	\$86,752	\$50,000	\$125,000
Operating Revenues	\$54,498	\$93,805	\$60,000	\$60,000
Assessment Revenue	\$2,827	\$12,859	\$8,000	\$8,000
<b>Total Revenue</b>	<b>\$14,008,979</b>	<b>\$16,433,858</b>	<b>\$16,659,495</b>	<b>\$16,734,348</b>
<b>O&amp;M Costs</b>				
Source of Supply	\$1,126,482	\$1,148,551	\$1,191,650	\$1,211,200
Arsenic Treatment	\$205,539	\$81,731	\$248,750	\$413,500
Transmission & Distribution	\$1,633,163	\$1,616,006	\$1,962,000	\$2,062,700
Field Services	\$457,819	\$451,698	\$510,700	\$517,250
Engineering	\$305,509	\$483,309	\$416,700	\$496,700
Customer Service	\$560,289	\$647,131	\$485,700	\$484,900
Legislative Expenses	\$110,207	\$95,896	\$115,400	\$95,800
General Administration [2]	\$5,898,322	\$8,526,204	\$6,983,364	\$6,850,395
<b>Total Operating Expenses</b>	<b>\$10,297,330</b>	<b>\$13,050,526</b>	<b>\$11,914,264</b>	<b>\$12,132,445</b>
<b>Debt Service</b>				
Existing Debt Service	\$2,428,882	\$2,427,482	\$2,415,082	\$2,420,082
Proposed Debt Service	-	-	-	-
<b>Total Debt Service</b>	<b>\$2,428,882</b>	<b>\$2,427,482</b>	<b>\$2,415,082</b>	<b>\$2,420,082</b>
<b>Total Expenses</b>	<b>\$12,726,212</b>	<b>\$15,478,008</b>	<b>\$14,329,346</b>	<b>\$14,552,527</b>
<b>Debt Service Coverage</b>				
Total Revenue Available for Debt Service	\$3,711,649	\$3,383,332	\$4,745,231	\$4,601,903
Total Debt Service	\$2,428,882	\$2,427,482	\$2,415,082	\$2,420,082
<b>Debt Coverage Ratio</b>	<b>1.53</b>	<b>1.39</b>	<b>1.96</b>	<b>1.90</b>

[1] Includes Interest and Assessment Income, Grant Income, Rental and Miscellaneous Income, and Capacity Facility Fees.

[2] Excludes depreciation and amortization expenses.

[3] Debt Service on the Bonds commenced in fiscal year 2023-24.

Note: Figures may not add up due to rounding.

Source: Indian Wells Valley Water District.

### **Projected Operating Results and Debt Service Coverage**

The District's estimated projected operating results and debt service coverage (adjusted to exclude depreciation, and certain other noted adjustments and assumptions) for the Fiscal Years ending June 30, 2023 (including actual, but unaudited, results through June 30, 2023), through June 30, 2028, are set forth in the

Table 15 below, reflecting certain significant assumptions concerning future events and circumstances (the “Coverage Projections”). The financial forecast set forth in Table 15 below represents the District’s estimate of projected financial results based upon its judgment of the probable occurrence of future events. In addition, the assumptions set forth in the footnotes to Table 15 are material to the development of the District’s financial projections and any variations in the any one of the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. See “RISK FACTORS – Uncertainties of Projections, Forecasts and Assumptions” herein.

**Table 15**  
**Indian Wells Valley Water District**  
**(Fiscal Years ending June 30th 2023 through 2028)**

<b>PROJECTED OPERATING RESULTS</b>						
	<b>Budget 2023</b>	<b>Budget 2024</b>	<b>Forecast 2025</b>	<b>Forecast 2026</b>	<b>Forecast 2027</b>	<b>Forecast 2028</b>
<b>Rate Revenue [1]</b>						
<b>Usage Revenue</b>	\$9,718,642	\$9,026,188	\$9,172,000	\$9,554,000	\$9,911,000	\$10,289,000
Fixed revenue (RTS, Arsenic & Fire)	\$6,239,452	\$6,926,403	\$8,726,000	\$9,360,000	\$9,950,000	\$10,577,000
Other Rate Revenue (Bulk & Construction)	\$197,401	\$202,757	\$189,000	\$202,000	\$214,000	\$227,000
<b>Non-Rate Revenues</b>						
Miscellaneous Fees	\$386,000	\$386,000	\$386,000	\$386,000	\$386,000	\$386,000
Interest Earnings	\$50,000	\$125,000	\$50,000	\$50,000	\$50,000	\$50,000
Operating Revenues	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Assessment Revenue	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
<b>Total Revenue</b>	<b>\$16,659,495</b>	<b>\$16,734,348</b>	<b>\$18,591,000</b>	<b>\$19,620,000</b>	<b>\$20,579,000</b>	<b>\$21,597,000</b>
<b>O&amp;M Costs</b>						
Source of Supply	\$1,191,650	\$1,211,200	\$1,289,000	\$1,338,000	\$1,389,000	\$1,442,000
Arsenic Treatment	\$248,750	\$413,500	\$253,000	\$262,000	\$272,000	\$282,000
Transmission & Distribution	\$1,962,000	\$2,062,700	\$1,994,000	\$2,070,000	\$2,149,000	\$2,232,000
Field Services	\$510,700	\$517,250	\$583,000	\$607,000	\$633,000	\$660,000
Engineering	\$416,700	\$496,700	\$420,000	\$436,000	\$453,000	\$471,000
Customer Service	\$485,700	\$484,900	\$493,000	\$513,000	\$533,000	\$554,000
Legislative Expenses	\$115,400	\$95,800	\$116,000	\$120,000	\$124,000	\$129,000
General Administration [2]	\$6,983,364	\$6,850,395	\$7,056,000	\$7,268,000	\$7,486,000	\$7,711,000
<b>Total Operating Expenses</b>	<b>\$11,914,264</b>	<b>\$12,132,445</b>	<b>\$12,204,000</b>	<b>\$12,614,000</b>	<b>\$13,039,000</b>	<b>\$13,481,000</b>
<b>Debt Service</b>						
Existing Debt Service	\$2,415,082	\$2,420,082	\$2,413,082	\$2,414,582	\$2,409,082	\$2,411,832
Proposed Debt Service	-	\$555,701	\$554,920	\$555,010	\$554,605	\$554,705
<b>Total Debt Service</b>	<b>\$2,415,082</b>	<b>\$2,975,783</b>	<b>\$2,968,002</b>	<b>\$2,969,592</b>	<b>\$2,963,687</b>	<b>\$2,966,537</b>
<b>Total Expenses</b>	<b>\$14,329,346</b>	<b>\$15,108,228</b>	<b>\$15,172,002</b>	<b>\$15,583,592</b>	<b>\$16,002,687</b>	<b>\$16,447,537</b>
<b>Debt Service Coverage</b>						
Total Revenue Available for Debt Service	\$4,745,231	\$4,601,903	\$6,387,000	\$7,006,000	\$7,540,000	\$8,116,000
Total Debt Service	\$2,415,082	\$2,975,783	\$2,968,002	\$2,969,592	\$2,963,687	\$2,966,537
<b>Debt Coverage Ratio</b>	<b>1.96</b>	<b>1.55</b>	<b>2.15</b>	<b>2.36</b>	<b>2.54</b>	<b>2.74</b>

[1] Includes Interest and Assessment Income, Grant Income, Rental and Miscellaneous Income, and Capacity Facility Fees.

[2] Excludes depreciation and amortization expenses.

[3] Debt Service on the Bonds commenced in fiscal year 2023-24.

Note: Figures may not add up due to rounding.

Source: Indian Wells Valley Water District.

## **CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES**

### **California Constitution Articles XIII A and XIII B**

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the “full cash value” of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. “Full cash value” is defined as “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraisal value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The “full cash value” is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

The foregoing limitation does not apply to ad valorem taxes to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property thereafter approved by the voters as required by law.

Under Article XIII B of the California Constitution, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge.

The District is of the opinion that the water service and user charges imposed by the District do not exceed the costs the District reasonably bears in providing the water services. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

### **California Constitution Articles XIII C and XIII D**

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of local governments to levy and collect new or increased taxes, assessments, and property-related fees and charges.

Article XIII C provides that a local government may not impose, extend, or increase local taxes until such taxes are submitted to the electorate for approval. General taxes, imposed, extended, or increased for general governmental purposes of the local government, require a majority vote and special taxes, imposed, extended, or increased for specific purposes, require a two-thirds vote. In addition, Article XIII C provides that the constitutional initiative power will not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges. However, on July 1, 1997, a bill was signed into law by the Governor of the

State enacting Government Code Section 5854, which states: “Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996 general election, will not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protection by Section 10 of Article I of the United States Constitution.” Government Code Section 5854 appears to limit the voters’ power to repeal or reduce Water Enterprise fees and charges if such reduction would interfere with the District’s payment of Installment Payments. If Government Code Section 5854 becomes the subject of a challenge, however, no guarantee can be made that the courts will agree with such interpretation.

Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge.” In *Bighorn-Desert View Water Agency v. Verjil* (“Bighorn”), 39 Cal. 4th 205 (2006), decided by the California Supreme Court on July 24, 2006, the petitioner sought to establish his right to reduce a local water agency’s water delivery charges through use of the initiative power. In holding for the petitioner on this issue, the court stated that the absence of a restrictive definition of “fee” or “charge” in Article XIIC suggests that those terms include all levies that are ordinarily understood to be fees or charges, including all of the property-related fees and charges subject to Article XIID. Though the Supreme Court did not arrive at an exact definition of such terms, it did determine that fees and charges that are fees and charges within the meaning of Article XIID are necessarily fees and charges within the meaning of Article XIIC.

The Court held that Article XIIC authorizes the use of the initiative process to reduce water delivery charges but that it does not authorize use of the initiative power to impose a voter-approval requirement on future increases in water delivery charges. The court declined to determine whether the initiative power is limited by other statutory provisions requiring that water service charges be set at a level that will pay system operating expenses and debt service since that issue was not before the court.

Consequently, the voters of the District could, by future initiative, seek to repeal or reduce any local tax, assessment, fee or charge, including the District’s water service fees and charges, which are the source of Net Revenues pledged to the payment of the Installment Payments securing the Bonds. Though the use of the initiative power is arguably limited in a case such as this where fees and charges have been imposed by the District for services of the Water Enterprise that are pledged to the payment of the Installment Payments securing the Bonds, there can be no assurance that the voters of the District will not seek to approve such an initiative which attempts to reduce the fees and charges imposed by the District for services of the Water Enterprise that are pledged to the payment of the Installment Payments securing the Bonds.

Article XIID imposes various procedural and substantive requirements on local governments that levy an “assessment,” “fee,” or “charge.” Article XIID defines “fees” or “charges” as “any levy other than an ad valorem tax, a special tax, or an assessment imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” “Property related service” means a public service having a direct relationship to property ownership (property ownership includes tenancies where tenants are directly liable to pay the fee or charge). In particular, a fee or charge (i) may not exceed the funds required to provide the property related service, (ii) may not be used for any purpose other than that for which the fee or charge was imposed, (iii) may not exceed the proportional cost of the service attributable to the parcel, (iv) may not be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question, and (v) may not be imposed for general governmental services.

In addition, before any property related fee or charge may be imposed or increased, the local government agency must provide mailed notice forty-five (45) days in advance of a hearing regarding the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the local government agency may not impose or increase the fee or charge. Moreover, except for fees or charges for water collection services, no property related fee or charge may be imposed or increased without a majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds approval by those residing in the affected area and voting at the election. Article XIID states that, beginning July 1, 1997, all fees or charges must comply with its provisions.

In *Richmond et al. v. Shasta Community Services District* (“Richmond”), the California Supreme Court held that a water connection fee was not a “property-related” fee or charge subject to Article XIID. However, in the opinion the California Supreme Court suggested in dicta that fees for ongoing water service through an existing connection were “property related” fees and charges imposed on a person as an incident of property ownership. The court addressed this issue directly in the *Bighorn* case discussed above. In its decision, the court cited its discussion in *Richmond* in support of its conclusion that a public agency’s fees and charges for ongoing water service through an existing connection are “property-related” fees and charges imposed on a person as an incident of property ownership for purposes of Article XIID, whether the fees and charges are calculated based on usage or are imposed as a fixed monthly fee.

The District believes that it has complied with the procedures required by Article XIID, as such article has been construed by the California Supreme Court, in connection with the increases in the Water Enterprise fees and charges approved by the Board of Directors of the District effective April 1, 2023. See “THE WATER ENTERPRISE – Water User Rate and Information” herein.

The ability of the District to comply with the covenants in the Installment Sale Agreement, including the rate covenants described under “THE INSTALLMENT SALE AGREEMENT – Rate Covenants,” in connection with the levy and collection of Water Enterprise service charges could be adversely affected by actions taken or not taken by voters, property owners or other persons obligated to pay Water Enterprise service charges. Furthermore, the interpretation and application of Proposition 218 will likely be subject to further judicial determinations, and it is not possible at this time to predict with certainty the outcome of such determinations. See also “RISK FACTORS – Rate Process” herein.

## **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of

government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 will affect its ability to levy rates and charges for water services.

### **Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting the Water Enterprise revenues, including the ability to increase or expend such revenues.

### **RISK FACTORS**

*The purchase of the Bonds involves investment risk. If a risk factor materialized to a sufficient degree, it could delay or prevent payment of principal of and interest on the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various issues. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors. There can be no assurance that other risk factors will not become material in the future.*

### **General**

The payment of principal of and interest on the Bonds is secured solely by a pledge of the Revenues, consisting of mainly Installment Payments and other payments paid by the District pursuant to the Installment Sale Agreement. The obligation of the District to make the Installment Payments is a limited obligation of the District payable solely from a pledge of Net Revenues. The realization of the Net Revenues is subject to, among other things, the capabilities of management of the District, the ability of the District to provide water services to its users, and the ability of the District to establish and maintain water fees and charges sufficient to provide the required debt service coverage as well as pay for Operation and Maintenance Costs. Among other matters, natural disasters, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums) could adversely affect the amount of Net Revenues realized by the District.

### **Accuracy of Assumptions**

To estimate projected financial results of the Water Enterprise, including the Coverage Projections set forth in Tables 14 and 15, and the corresponding projected Net Revenues available to pay debt service on the Bonds, the District has made certain financial forecasts and assumptions with regard to the rates and charges to be imposed in future years, the expenses associated with Water Enterprise operations and the interest rate at which funds will be invested. The District believes these financial forecasts and assumptions to be reasonable, but variations in the any one of the assumptions may produce substantially different financial

results. Actual operating results achieved during the projection period may vary from those forecasted and such variations may be material, with a possible result being that Net Revenues may prove to be significantly less than projected in this Official Statement. See the caption “THE FINANCING PLAN – Debt Service Coverage Projections for the Bonds” herein. Accordingly, such assumptions and projections are at best educated estimates, and are not in any way a guaranty of future performance, and the District assumes no responsibility for the accuracy of such financial forecasts and projections.

### **Limited Obligation**

The obligation of the District to pay the Installment Payments securing the Bonds is a limited obligation of the District and is not secured by a legal or equitable pledge or charge or lien upon any property of the District or any of its income or receipts, except the Net Revenues. The obligation of the District to make the Installment Payments does not constitute an obligation of the District to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. No owner of any Bond may compel the exercise of the taxing power by the District or the forfeiture of any of its property.

### **Limited Recourse on Default**

If the District defaults on its obligation to make payment on the Bonds, the Trustee, as assignee of the Authority, has the right to accelerate the total unpaid principal amount of the Installment Payments. However, in the event of a default and such acceleration, there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated Installment Payments.

### **Increased Operation and Maintenance Costs**

There can be no assurance that expenses of the District with respect to the Water will be consistent with the levels contemplated in this Official Statement. Operation and Maintenance Costs could increase at higher rates than currently expected as a result of various factors, including increases in personnel costs, energy costs, chemical costs, pumping costs, technology, safety or regulatory costs, unforeseen costs associated with spills or other accidents involving the Water Enterprise, and other factors beyond the District’s control. Increases in Operation and Maintenance Costs could require an increase in rates or charges in order to comply with the rate covenants in the Installment Sale Agreement. There can be no assurance that such future rate increases, if necessary, will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. See “RISK FACTORS – Rate Process” herein.

### **Project Management**

Although the 2024 Project is being sold to the Authority, the District is purchasing the 2024 Project back from the Authority in accordance with the Installment Sale Agreement, and has therein agreed to manage and operate the 2024 Project for and on behalf of the Authority. Should management prove deficient, it is possible that the Water Enterprise could fall into disrepair, possibly to levels that would require significant rate increases to properly remediate conditions. The District has covenanted to prescribe, revise and collect rates and charges for the Water Enterprise at certain levels; however, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the Bonds. Additionally, the ability of the District to comply with its covenants under the Installment Sale Agreement may be adversely affected by actions and events outside of the control of the District and may be

adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES” herein. Any remedies available to the owners of the Bonds, upon the occurrence of an event of default under the Indenture or the Installment Sale Agreement, are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. See “– Limitations on Remedies and Bankruptcy” herein.

### **Financial Controls**

The District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District, including the Water Enterprise, are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. While the District believes that it has established an internal control structure designed to protect against such events, no assurance can be given as to the adequacy of thereof, or any insurance coverage related thereto. If there were to be an occurrence of a loss, theft, or misappropriation, there could be a substantial reduction in the District’s ability to pay Installment Payments, which could result in a lack of the ability to generate sufficient Revenues to repay the Bonds.

### **Insurance**

The Installment Sale Agreement requires the District to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of applicable portions of the Water Enterprise in the event of damage or destruction thereto. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any such applicable portions of the Water Enterprise. Significant damage to the Water Enterprise could result in a lack of the ability to generate sufficient Revenues to repay the Bonds.

Further, the District is not legally obligated under the Installment Sale Agreement to maintain, or cause to be maintained, earthquake or flood insurance on the Water Enterprise, and the District does not presently maintain earthquake or flood insurance on behalf of the Water Enterprise. No assurance is made that any earthquake or flood insurance will be provided in the future, or if provided, that such insurance will continue to be maintained in the future. If there were to be an occurrence of a flood or severe seismic activity in the District, there could be substantial damage to the Water Enterprise, the cost of repair of which could exceed the net equity available therefore. In the event of significant flood or earthquake damage to the Water Enterprise, there can be no assurance that Revenues would be sufficient to pay principal of and interest on the Bonds.

### **Limitations on Remedies and Bankruptcy**

The ability of the District to increase water services charges and to comply with its covenants under the Indenture and the Installment Sale Agreement and to generate Net Revenues sufficient to pay the Installment Payments in amounts sufficient to pay principal of and interest on the Bonds may be adversely

affected by actions and events outside of the control of the District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES – California Constitution Articles XIII C and XIII D” herein.

Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture and the Installment Sale Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Indenture and the Installment Sale Agreement, the rights and obligations under the Bonds, the Indenture and the Installment Sale Agreement 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 limitations on legal remedies against municipalities in the State. Various legal opinions to be delivered concurrently with the issuance of the Bonds will be so qualified. In addition, the opinion to be delivered by The Weist Law Firm, Bond Counsel, concurrently with the issuance of the Bonds, will also state that the enforceability of the Installment Sale Agreement is subject to the limitations on the imposition of fees and charges by the District relating to the Water Enterprise under Article XIII C and XIII D of the California Constitution. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto. In the event the District fails to comply with its covenants under the Installment Sale Agreement or to pay Installment Payments securing the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the Bonds.

As noted above, the enforcement of the remedies provided in the Indenture and the Installment Sale Agreement could prove both expensive and time consuming. In addition, the rights and remedies provided in the Indenture and the Installment Sale Agreement may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors’ rights. If the District were to file a petition under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), the Bondholders and the Trustee could be prohibited or severely restricted from taking any steps to enforce their rights under the Indenture. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered Bondholder and will be entitled to exercise all rights and remedies of Bondholders.

### **Physical Condition of Water Enterprise Facilities**

The reliability of the Water Enterprise is affected by a number of factors including physical and operational vulnerabilities of its facilities. Proper maintenance and early identification of degradation in well yields are important activities for a water system that relies entirely on well water as a source. Certain of the Water Enterprise facilities are near the end of their useful life. Long-lived facilities result in decreased reliability due to unplanned outages and place a greater maintenance burden on operations. The District budgets for the maintenance and operations of its facilities; however, the District gives no assurance that any future significant diminished physical status of its facilities would not materially adversely affect the operations of the Water Enterprise. Partial or complete failure of components of the Water Enterprise could cause a material increase in costs for repairs or a corresponding material adverse impact on Net Revenues.

## **Reliability of Future Groundwater Supply**

Due to prolonged overdraft conditions in the Groundwater Basin, the community is currently experiencing the undesirable impacts of prolonged overdraft and will continue to experience increasing environmental, social, and economic impacts if sustainability is not achieved. The Groundwater Basin is currently experiencing unreasonable reduction of groundwater in storage, chronic lowering of groundwater levels which result in shallow well performance being impacted or being impacted by poorer water quality, degradation of water quality, and localized land subsidence impacting structures/facilities at China Lake Naval Air Station.

If there were to be an occurrence of over-pumping in the area of the District or the larger groundwater basin (or any related or unrelated degradation in the water quality of the groundwater system), there could be an interruption in the service provided by the Water Enterprise, resulting in a reduction in the amount of Net Revenues available to pay Installment Payments.

A suite of project and management actions have been evaluated and selected to address current and projected undesirable results with the goal of bringing the Groundwater Basin into sustainable balance. There are currently no reliable sources of supplemental water available to help achieve sustainability. Therefore, the initial priority is on water demand reductions, at least until a reliable supplemental water supply is secured.

No assurance can be given that the cost of achieving sustainability will not adversely affect the ability of the District to generate Net Revenues in the amounts required by the Installment Sale Agreement to pay the Installment Payments.

[Add discussion on risks associated with another prolonged drought]

## **Energy Costs**

No assurance can be given that any future significant reduction or loss of power would not materially adversely affect the operations of the Water Enterprise. The volume of water processed and delivered through the Water Enterprise on a daily basis requires a significant amount of power.

Electricity is needed to run several assets including, among other things, pumps, lights, computers, mechanical valves and machinery. The District cannot guarantee that prices for electricity or gas will not increase, which could adversely affect the Water Enterprise's financial condition. See "CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES – California Constitution Articles XIIC and XIID" herein.

## **Permits and Regulation**

The kind and degree of water treatment and water quality effected through the Water Enterprise is regulated, to a large extent, by the federal government and/or the State of California. It is not possible to predict the direction federal or State regulation will take with respect to water quality standards, although it is likely that, over time, both will impose more stringent standards with attendant higher costs. No assurance can be given that the cost of compliance with such laws and regulations will not adversely affect the ability of the District to generate Net Revenues in the amounts required by the Installment Sale Agreement to pay the Installment Payments.

## **Natural Disasters**

The area in and surrounding the District, like those in much of California, may be subject to unpredictable droughts, storms, floods, fires, soil expansion and liquefaction and seismic activity that could negatively affect the value of the Water Enterprise, as well as other assets of the District. The possibility of the occurrence of some of these conditions and events has not been taken into account in the design of the Water Enterprise and has not been taken into account in the designs of other public improvements which may be acquired or constructed by the District or other public agencies.

The District expects that one or more of these conditions will likely occur in the future, and, even if design criteria have been implemented to mitigate certain geologic events, which may or may not prove to be the case, such conditions may nevertheless result in damage to or destruction of part or all of the Water Enterprise. If there were to be an occurrence of a severe geotechnical condition or natural disaster in the area of the District, there could be an interruption in the service provided by the Water Enterprise resulting in a reduction in the amount of Net Revenues available to pay Installment Payments. Further, damage to components of the Water Enterprise could cause a material increase in costs for repairs or a corresponding material adverse impact on respective Net Revenues. The District is not obligated under the Resolutions or the Installment Sale Agreement to procure and maintain, or cause to be procured and maintained, nor does the District plan to procure and maintain, earthquake or flood insurance on the Water Enterprise.

## **Safety and Security**

The safety of the facilities of the Water Enterprise is maintained by a combination of regular inspections by District employees, electronic monitoring, and analysis of unusual incident reports. All above-ground facilities operated and maintained by the District, are controlled access facilities with fencing and gates. Despite the security measures and precautions that are in place, military conflicts and terrorist activities could adversely impact operations of the Water Enterprise and the finances of the District.

The District continually plans and prepares for emergency situations and immediately responds to ensure services are maintained. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that terrorist activities are directed against the assets of the Water Enterprise or that costs of security measures will not be greater than presently anticipated. Furthermore, damage to the Water Enterprise could require the District to increase expenditures for repairs significantly enough to adversely impact the District's ability to pay Installment Payments for the Bonds.

## **Economic, Political, Social, and Environmental Conditions**

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, and/or international level may adversely affect investment risk generally.

Such conditional changes may include (but are not limited to): fluctuations in business production, consumer prices, financial markets, or unemployment rates; technological advancements; shortages or surpluses in natural resources or energy supplies; changes in law; social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism; environmental damage; and natural disasters.

## **Rate Process**

The passage of Proposition 218 by the California electorate, which added Articles XIIC and XIID to the California Constitution, affects the District's ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or initiative action under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of a majority protest or initiative, it may adversely affect the ability of the District to generate Net Revenues in the amounts required by the Installment Sale Agreement to pay the Installment Payments. See "CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES – California Constitution Articles XIIC and XIID."

The District's ability to comply with the rate covenant under the Installment Sale Agreement may also be limited by the provisions of Proposition 218. The Weist Law Firm, Bond Counsel, will state in its opinion with respect to the Bonds that the enforceability of each of the Installment Sale Agreement is subject to the limitations on the imposition by the District of certain fees and charges relating to the Water Enterprise under Articles XIIC and XIID of the California Constitution. See "APPENDIX E – FORM OF OPINION OF BOND COUNSEL" herein. The District's ability to comply with the rate covenants may also be adversely affected by other factors as described in this Official Statement.

The foregoing discussion of Proposition 218 should not be considered an exhaustive or authoritative treatment of the issues. The District does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of Proposition 218 on the Bonds as well as the market for the Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of Proposition 218.

## **Investment of Funds**

All funds and accounts held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX A attached hereto for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or by the District, including but not limited to the amounts contained within the Project Fund, could have a material adverse effect on the security of the Bonds.

## **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse historical or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **Loss of Tax Exemption**

As discussed under the caption TAX MATTERS, interest on the Bonds could become included in gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the District or the Authority in violation of their respective covenants in the Indenture and the Installment Sale Agreement.

## **IRS Audit**

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

## **Uncertainties of Projections, Forecasts and Assumptions**

Compliance with certain of the covenants contained in the Installment Sale Agreement and Indenture is based upon assumptions and projections including, but not limited to, those described under “THE FINANCING PLAN.” Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and the District assumes no responsibility for the accuracy of such projections.

[add discussion regarding cybersecurity]

## **FINANCIAL STATEMENTS**

Attached as APPENDIX B are the audited financial statements of the District (the “Financial Statements”) for Fiscal Year 2021-22, which include financial statements for the Water Enterprise, prepared by the District’s Finance Department and audited by C.J. Brown & Company CPAs, Riverside, California (the “Auditor”).

The Auditor’s letter concludes that the Financial Statements, as presented, are accurate in all material respects and are presented in a manner designed to fairly set forth the financial position and results of operations of the District as measured by the financial activity of its various funds. The Financial Statements include information regarding other certain funds of the District, which are not pledged to make Installment Payments or to otherwise pay debt service on the Bonds.

Additionally, the District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District. In addition, the Auditor has not reviewed this Official Statement.

## TAX MATTERS

*Federal Tax Status.* In the opinion of The Weist Law Firm, Los Gatos, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of execution and delivery of the Bonds.

*Tax Treatment of Original Issue Discount and Premium.* If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond’s maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond

premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Form of Bond Counsel Opinion. At the time of issuance of the Bonds, Bond Counsel expects to deliver a final approving opinion for the Bonds in substantially the form set forth in Appendix E.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest with respect to the s to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Bonds issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Bonds, or as to the consequences of owning or receiving interest with respect to the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

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

## **CERTAIN LEGAL MATTERS**

The Weist Law Firm, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX E. The Weist Law Firm is also serving as Disclosure Counsel. Payment of the fees and expenses of Bond Counsel and Disclosure Counsel are contingent upon the sale and issuance of the Bonds. Certain legal matters will be passed upon for the Authority and the District by their respective legal counsel.

## **CONTINUING DISCLOSURE**

The District has covenanted in a Continuing Disclosure Certificate for the benefit of the Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the

District's Water Enterprise by not later than nine months following the end of the District's Fiscal Year (currently, the District's fiscal year ends on June 30) (the "Annual Report"), commencing with the report of Fiscal Year ending June 30, 2024, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in "Appendix C – FORM OF CONTINUING DISCLOSURE CERTIFICATE," hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b) (5) promulgated under the Securities Exchange Act of 1934, as amended.

Pursuant to the continuing disclosure certificate relating to the 2018 Obligation, the District agreed to provide certain financial information and operating data relating to the District and the Water Enterprise by not later than April 1 of each year. Over the past five years, the District has complied in all material respects with its continuing disclosure undertakings.

## **LITIGATION**

To the best knowledge of the Authority and the District, respectively, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the either the District or the Authority to restrain or enjoin the authorization, execution or delivery of the Bonds, the pledge of the Revenues or the collection of the payments to be made pursuant to the Indenture, the obligation of the District to pay Installment Payments from the Net Revenues made pursuant to the Installment Sale Agreement, or in any way contesting or affecting validity of the Bonds, the Indenture, the Installment Sale Agreement, or the agreement for the sale of the Bonds.

The District is periodically subject to lawsuits in the ordinary conduct of its affairs. The District believes that there are no claims or actions, threatened or pending which, if determined against the District, either individually or in the aggregate, would have a material adverse effect on the financial condition of the District or the Net Revenues.

## **RATING**

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned an underlying municipal bond rating of "\_\_\_" (\_\_\_ outlook) to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. The Authority, the District and the Underwriter have undertaken no responsibility either to bring to the attention of the Owners of the Bonds any proposed change in or withdrawal of the rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the rating might have an adverse effect on the market price or marketability of the Bonds.

## **UNDERWRITING**

The Bonds are being purchased by FHN Financial Capital Markets (the "Underwriter"). The

Underwriter has agreed to purchase the Bonds at a price of \$ \_\_\_\_\_ (which price is equal to the \$ \_\_\_\_\_ aggregate principal amount of the Bonds, [plus][less] net original issue [premium][discount] of \$ \_\_\_\_\_, and less Underwriter's Discount of \$ \_\_\_\_\_).

The Bond Purchase Contract pursuant to which the Underwriter has agreed to purchase the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Contract, including the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

### MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and actual results may differ substantially from those set forth herein. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds. The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and interested parties must refer to each of them for a complete statement of their provisions. Copies are available for review by making requests to the District.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement. The audited financial statements of the District (including financial statements of the District's Water Enterprise), including a summary of significant accounting policies, for the Fiscal Year ended June 30, 2022 is contained in APPENDIX B. The execution of this Official Statement and its delivery have been authorized by the Authority and the District.

CALIFORNIA MUNICIPAL  
PUBLIC FINANCING AUTHORITY

By: /s/ \_\_\_\_\_

INDIAN WELLS VALLEY WATER DISTRICT

By: /s/ \_\_\_\_\_

## **APPENDIX A**

### **SUMMARY OF LEGAL DOCUMENTS**

*The following is a summary of certain provisions of the Indenture and the Installment Sale Agreement. This summary is not intended to be definitive and is qualified in its entirety by reference to such documents for the complete terms thereof.*

### **DEFINED TERMS**

Unless the context otherwise requires, the terms defined in this Appendix A shall for all purposes of the Indenture and the Installment Sale Agreement, and any supplements thereto, and of any certificate, opinion, request or other document therein mentioned have the meanings provided below or as otherwise specified in the respective document.

[to come]

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT  
FOR FISCAL YEAR ENDING JUNE 30, 2022**

## APPENDIX C

### FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
INDIAN WELLS VALLEY WATER DISTRICT  
SERIES 2024 WATER REVENUE BONDS  
(Water Transmission Pipeline Replacement Project)**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State of California (the “District”) in connection with the issuance of \$ \_\_\_\_\_ California Municipal Public Financing Authority, Indian Wells Valley Water District, Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project) (the “Bonds”) by the California Municipal Public Financing Authority (the “Authority”). The Bonds are being issued pursuant to an Indenture of Trust (the “Indenture”), dated as of February 1, 2024, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Bonds are limited obligations of the Authority payable from the Revenues (defined herein) pledged under the Indenture, consisting primarily of installment payments (the “Installment Payments”) to be made by the District under an installment sale agreement, dated as of February 1, 2024, by and between the Authority and the District (the “Installment Sale Agreement”). The Installment Payments are secured by a pledge of and lien on the net revenues of the District’s municipal water enterprise (the “Water Enterprise”).

The District hereby certifies, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

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

“*Annual Report*” will mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” shall mean each April 1 after the end of the District’s fiscal year, the end of which, as of the date of this Disclosure Certificate, is June 30.

“*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.

“*Dissemination Agent*” will mean \_\_\_\_\_, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*Financial Obligation*” shall mean a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“*Listed Events*” will mean any of the events listed in Section 5(a) and (b) of this Disclosure Certificate.

“MSRB” will mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive continuing disclosure filings pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Official Statement” will mean the final Official Statement, dated February \_\_, 2024, prepared in connection with the sale and offering of the Bonds.

“*Participating Underwriter*” will mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

“*SEC*” shall mean the Securities and Exchange Commission.

### Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent (if other than the District) to, not later than the Annual Report Date, commencing with the April 1, 2025 Annual Report, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to each such date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent will contact the District to determine if the District is in compliance with the previous sentence. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District’s Fiscal Year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(a). The District shall provide a written certification with

each Annual Report furnished to the Dissemination Agent (if other than the District) to the effect that such Annual Report constitutes the Annual Report required to be furnished hereunder. If the Dissemination Agent is a different entity than the District, the Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(b) If the District is unable to provide (or cause the Dissemination Agent to provide) to the MSRB an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB, in an electronic format as prescribed by the MSRB, in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports, and (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following information:

(a) The District's audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report will contain the following information:

1. Principal amount of Bonds outstanding as of the end of the fiscal year;
2. A description of any Parity Obligations issued during the most recently completed fiscal year;
3. Financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement: [Tables \_\_\_\_\_]; and

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the SEC. The District 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 District shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. Principal and interest payment delinquencies.
2. Unscheduled draws on debt service reserves reflecting financial difficulties.
3. Unscheduled draws on credit enhancements reflecting financial difficulties.
4. Substitution of credit or liquidity providers, or their failure to perform.
5. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB).
6. Tender offers.
7. Defeasances.
8. Rating changes.
9. Bankruptcy, insolvency, receivership or similar proceedings.

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

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the District shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) Business Days after occurrence:

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

2. Modifications to the rights of Bondholders.
3. Bond calls.
4. Release, substitution or sale of property securing repayment of the Bonds.
5. Non-payment related defaults.
6. The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. Appointment of a successor or additional trustee or the change of the name of a trustee.
8. Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b), the District shall determine if such event would be material under applicable federal securities laws. If the District determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, (i) the District shall file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event, and (ii) if the Dissemination Agent is other than the District, the District shall promptly notify the Dissemination Agent in writing, and such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the District determines that a Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the District, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District and, if the Dissemination Agent is other than the District, the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate will be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate will 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 District will give notice of such termination in the same manner as for a Listed Event under Section 5(a).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be \_\_\_\_\_.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are 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 type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interest of Bond owners.

The District shall describe any amendment to this Disclosure Certificate in the next Annual Report filed after such amendment takes effect.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison will include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison will be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

Section 10. Additional Information. Nothing in this Disclosure Certificate will be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth

in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District 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 Certificate, the District will have no obligation under this Disclosure Certificate 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 District to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate will not be deemed an Event of Default under the Indenture or any Supplemental Indenture or the Installment Sale Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate will be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent (if other than the District), its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its duties as described hereunder, if any, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's (if other than the District) negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent (if other than the District) shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the District pursuant to this Disclosure Certificate. The District shall pay the reasonable fees and expenses of the Dissemination Agent (if other than the District) for its duties as described hereunder.

Section 13. Beneficiaries. This Disclosure Certificate will inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and will create no rights in any other person or entity.

Section 14. Future Determination of Obligated Persons. In the event that the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the District to be an obligated person as defined in the Rule, nothing contained herein will be construed to require the District to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Certificate will be deemed to obligate the District to disclose information concerning any owner of land within the District except as required as part of the information required to be disclosed by the District pursuant to Section 4 and Section 5 hereof.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: February \_\_, 2024

INDIAN WELLS VALLEY WATER DISTRICT

By: \_\_\_\_\_  
General Manager

Accepted and Acknowledged:

\_\_\_\_\_, as Dissemination Agent

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

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Party: Indian Wells Valley Water District

Name of Bond Issue: California Municipal Public Financing Authority  
Indian Wells Valley Water District  
Series 2024 Water Revenue Bonds  
(Water Transmission Pipeline Replacement Project)  
(the "Bonds").

Date of Issuance: February \_\_, 2024

NOTICE IS HEREBY GIVEN that the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State of California (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated February \_\_, 2014. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

INDIAN WELLS VALLEY WATER DISTRICT

By \_\_\_\_\_

## APPENDIX D

### GENERAL INFORMATION ABOUT THE CITY OF RIDGECREST, COUNTY OF KERN AND SURROUNDING AREA

*The following information, unless otherwise cited, was directly transcribed from material provided by the Indian Wells Valley Water District (the "District"), the City of Ridgecrest (the "City"), the County of Kern (the "County"), the State of California (the "State") and various other sources. The following information is intended to merely provide the reader with a better understanding of certain socioeconomic and demographic characteristics of the District and surrounding area. The information set forth in this Appendix "D" has not been researched for accuracy or veracity, and therefore it must not be relied upon when making an investment decision. The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the faith and credit, nor the taxing power of the District, the City, the County, the State of California (the "State"), or any of its political subdivisions is pledge to the payment of the Certificates.. See "SECURITY FOR THE BONDS" in the forepart of this Official Statement.*

#### **General**

The City is located along U.S. Route 395 in the Indian Wells Valley in northeastern Kern County, adjacent to the Naval Air Weapons Station China Lake ("NAWS," or "China Lake" or the Navy). It was incorporated as a city in 1963. The City is surrounded by four mountain ranges: the Sierra Nevada on the west, the Cosos on the north, the Argus Range on the east, and the El Paso Mountains on the south. It is approximately 82 miles (132 km) from the Lancaster/Palmdale area, 110 miles (177 km) from Bakersfield, 120 miles (193 km) from San Bernardino, and approximately 150 miles from Los Angeles, the four nearest major urban centers. Private air travel in and out of the city is provided through the Inyokern Airport. The City is within two hours of the highest and the lowest points in the contiguous U.S.

The County is located approximately 130 miles north of Los Angeles County in southcentral California. The County is the third largest county in California, covering 8,073 square miles. The County has three climatic zones: valley, mountain and high desert. Bordered on the west by San Luis Obispo and Santa Barbara Counties, to the east by San Bernardino County and on the north by Kings, Tulare and Inyo Counties, the County measures 120 miles east to west and 67 miles north to south. The County seat is in Bakersfield, California. Population

The District's service area is located along the southerly border of China Lake. As the largest single employer in the area, the number of personnel employed by the Navy has a substantial influence on the number of people residing within the District's service area.

#### **Area Climate**

Temperatures in the District's service area often exceed 100 degrees Fahrenheit (°F) during summer months, with an annual average daily temperature of approximately 80°F. Annual rainfall averages less than 5 inches; most rainfall occurs between November and March, while some thundershowers occur during the summer monsoons.

## Population

The following table sets forth population statistics for the City, the County and the State for the last five calendar years.

**CITY, COUNTY AND STATE  
Population Estimates  
Calendar Years 2019 through 2023**

<u>Year (January 1)</u>	<u>City of Ridgecrest</u>	<u>County of Kern</u>	<u>State of California</u>
2019	29,112	907,065	39,605,361
2020	27,850	909,235	39,538,223
2021	28,014	904,179	39,286,510
2022	28,083	908,107	39,078,674
2023	27,885	907,476	38,940,231

Source: Demographic Research Unit, California State Department of Finance.

## Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for calendar years 2022 or 2023.

Total taxable transactions during calendar year 2021 in the District were reported to be \$\_\_\_ million, a \_\_\_% increase over the total taxable transactions of \$\_\_\_ reported during calendar year 2020.

**CITY OF RIDGECREST  
Taxable Retail Sales  
Number of Permits and Valuation of Taxable Transactions  
(Dollars in Thousands)**

<u>Year</u>	<u># of Permits (Retail)</u>	<u>Retail Stores</u>	<u># of Permits (Total)</u>	<u>Total All Outlets</u>
2017				
2018				
2019				
2020				
2021 <sup>(1)</sup>				

(1) Most recent year for which data is available.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax)  
[Confirm if BOE or CDTFA or both. Check applicable table sources]

Total taxable transactions during calendar year 2021 in the County were reported to be \$\_\_\_\_\_

million, an \_\_\_% increase over the total taxable transactions of \$ \_\_\_\_\_ million reported during calendar year 2020. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County is presented in the following table.

**COUNTY OF KERN  
Taxable Retail Sales  
Number of Permits and Valuation of Taxable Transactions  
(Dollars in Thousands)**

<u>Year</u>	<u># of Permits (Retail)</u>	<u>Retail Stores</u>	<u># of Permits (Total)</u>	<u>Total All Outlets</u>
2017				
2018				
2019				
2020				
2021 <sup>(1)</sup>				

(1) Most recent year for which data is available.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax)

**Employment and Industry**

The District is located in Kern County. The labor force employment and unemployment figures over the last five years for which data is available for Kern County are as follows.

**KERN COUNTY  
Civilian Labor Force, Employment and Unemployment; Employment by Industry  
Calendar Years 2018 through 2022  
(Annual Averages)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022<sup>(3)</sup></u>
Total Farm					
Construction					
Manufacturing					
Trade, Transportation and Utilities					
Information					
Financial Activities					
Professional and Business Services					
Educational and Health Services					
Leisure and Hospitality					
Other Services					
Government					
<u>Total All Industries <sup>(1)</sup></u>					
Total Civilian Labor Force <sup>(2)</sup>					
Total Unemployment					
Unemployment Rate					

- (1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers and workers on strike. Columns may not total due to rounding.
- (2) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.
- (3) Most recent year for which industry data is available.

Source: California Employment Development Department, Labor Market Information Division.

## Largest Employers

The following table lists the largest employers within the County as of January 2024.

**COUNTY OF KERN**  
**Largest Employers**  
**January 2024**  
**(Listed alphabetically)**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adventist Health Bakersfield	Bakersfield	Hospitals
Bolthouse Farms	Bakersfield	Agricultural Consultants
California Correctional Instn	Tehachapi	State Govt-Correctional Institutions
Chevron Corp	Bakersfield	Management Services
Community Action Partnership	Bakersfield	Community Centers
Dignity Health Mercy Downtown	Bakersfield	Hospitals
Edwards Air Force Base	Edwards	Military Bases
Ensign United States Drilling	Bakersfield	Energy Mgmt. Systems & Products
Foster Care Human Svc	Bakersfield	Foster Care
Frito-Lay Inc	Bakersfield	Potato Chip Factories (mfrs)
Grimmway Farms	Arvin	Fruits & Veg-Growers & Shippers
Kern County Human Svc Dept	Bakersfield	Government Offices-County
Marko Zaninovich Inc	Mcfarland	Fruits & Veg-Growers & Shippers
Memorial Hospital Bakersfield	Bakersfield	Hospitals
Nabors Completion-Production	Bakersfield	Oil Field Service
Nasa/Armstrong Flight Research	Edwards	Alternative Fuels
Naval Air Warfare Ctr	Ridgecrest	Military Bases
Paramount Farms Huller 4	Lost Hills	Farms
Ridgecrest Regional Hospital	Ridgecrest	Hospitals
Sierra Sands Unified Sch Dist	Ridgecrest	School Districts
Sun Pacific	Bakersfield	Fruits & Veg-Growers & Shippers
US Naval Air Weapons Station	Ridgecrest	Federal Gov-National Security
Vasinda Investments Inc	Bakersfield	Home Health Service
Wasco State Prison Fire Dept	Wasco	State Govt-Correctional Institutions
Wonderful Citrus LLC	Delano	Citrus Growers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2024 1st Edition.

The following table lists the largest employers within the City as of June 30, 2022.

**CITY OF RIDGECREST  
Largest Employers  
June 30, 2022**

<u>Employer Name</u>	<u>Employees</u>	<u>% of Total City Employment<sup>(2)</sup></u>
Naval Air Weapons Station China Lake <sup>(1)</sup>	5,669	41.38%
Ridgecrest Regional Hospital	776	5.66%
Searles Valley Minerals	596	4.35%
Sierra Sands Unified School District	650	4.74%
Walmart	308	2.25%
Albertson's Inc	169	1.23%
Cerro Coso Community College	163	1.19%
City of Ridgecrest	124	0.91%
Alta One Credit Union	123	0.90%
Home Depot	<u>121</u>	<u>0.88%</u>
<b>Total</b>	<b>8,699</b>	<b>63.50%</b>

(1) Includes civilians, military, and contractors.

(2) Based on total City employment of 13,700.

Source: City of Ridgecrest Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2022.

### **Transportation Systems**

Well-developed surface and air transportation facilities are available to residents and businesses in the City. Main lines of both the Union Pacific and the Burlington Northern Santa Fe railroads traverse the area. Amtrak service is also available.

State Highway 99, is the main north-south artery serving the most populous communities along the east side of the Central Valley. State Highway 58 provides east-west linkage between Interstate 5, 20 miles west, and Interstate 15 at Barstow, to the east. Highway 178, heading northeast, is the major route along the Kern River Valley. Highway 65, to the north, provides access to communities east of Highway 99 and to Sequoia National Park. Interurban motor transportation is made available by Orange Belt Stages, Greyhound, and Trailways. Golden Empire Transit provides local bus transportation.

The Meadows Field Airport is located on the north side of Bakersfield. Regularly scheduled passenger and air cargo service is available, as well as charter service and general aviation services. The Meadows Field Airport includes the William M. Thomas Terminal, a 64,800 square foot, state-of-the-art terminal facility completed in November 2005 that is currently equipped with three jet-boarding bridges, but that may be expanded to accommodate up to nine gates. A second, older terminal has been converted to accommodate international flights to Mexico.



**APPENDIX E**

**FORM OF OPINION OF BOND COUNSEL**

*Upon issuance of the Bonds, The Weist Law Firm, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:*

[Date of Delivery]

California Municipal Public Financing Authority  
c/o Indian Wells Valley Water District  
2108 N Street; Suite 5030  
Sacramento, CA 95816

*OPINION:*     \$ \_\_\_\_\_ California Municipal Public Financing Authority  
                  Indian Wells Valley Water District  
                  Series 2024 Water Revenue Bonds  
                  (Water Transmission Pipeline Replacement Project)

Ladies and Gentlemen:

We have acted as Bond Counsel to the California Municipal Public Financing Authority (the “Authority”) in connection with the issuance by the Authority of its \$ \_\_\_\_\_ aggregate principal amount of Indian Wells Valley Water District, Series 2024 Water Revenue Bonds, (Water Transmission Pipeline Replacement Project) (the “Bonds”), pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, a Resolution adopted by the Board of Directors of the Authority (the “Authority Resolution”) on January \_\_, 2024, a Resolution adopted by the Board of Directors of the Indian Wells Valley Water District (the “District”) on January \_\_, 2024 (the “District Resolution,” and together with the Authority Resolution, the “Resolutions”), and the Indenture, dated as of February 1, 2024 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Bonds are special limited obligations of the Authority. The Bonds are payable solely from certain installment payments (the “Installment Payments”) to be made by the Indian Wells Valley Water District (the “District”) to the Authority pursuant to an Installment Sale Agreement related to the District’s Water Enterprise (the “Water Enterprise”), dated as of February 1, 2024, by and between the District, as purchaser, and the Authority, as seller (the “Installment Sale Agreement”), and from certain funds and accounts established under the Indenture (collectively, the “Revenues”).

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture and in the Indenture and/or Installment Sale Agreement, as applicable.

In such connection, we have reviewed the Indenture, the Installment Sale Agreement, the Tax Certificate of the District and the Authority, dated the date hereof (the “Tax Certificate”), opinions of general counsel to the District, certifications of the District, the Authority, and others, and such other documents, opinions, and matters to the extent we deemed necessary to render the opinions set forth herein. As to

questions of fact material to our opinion, we have relied upon representations of the District and the Authority contained in the Resolutions, the Indenture, the Installment Sale Agreement, the Tax certificate and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

The opinions expressed herein are expressed only on and as of the date hereof and are based on an analysis of existing laws, regulations, rulings, and judicial 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. Changes to existing law may occur hereafter and could have retroactive effect. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, all parties thereto. We have not undertaken to verify independently, and have assumed, 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 paragraph directly above.

Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Indenture, the Installment Sale Agreement, and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions, or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Resolutions, the Indenture, the Installment Sale Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar 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 special districts, joint powers authorities, and nonprofit public benefit corporations 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, severability, or waiver provisions contained in the documents mentioned in the previous sentence.

Furthermore, the viability and enforceability of the Installment Sale Agreement and Indenture is subject to the validity and limitations on the imposition of certain fees and charges by the District related to the Water Enterprise under Articles XIIC and XIID of the California Constitution, which we express no opinion with respect thereto.

We undertake no responsibility for the accuracy, completeness, or fairness of the transactions or other economic terms relating to the Bonds or the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto. We express no opinion regarding the perfection or priority of the lien on the Installment Payments or the Net Revenues.

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

1. The Bonds constitute valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by the Authority, and assuming due authorization, execution and delivery by the Trustee, as appropriate, the Bonds and the Indenture are the valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

3. The Installment Sale Agreement has been duly authorized, executed and delivered by the District and Authority, and constitutes the valid and binding limited obligation of the Authority and the District, enforceable against the Authority and the District in accordance with its terms.

4. Under existing statutes, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

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

Except as stated in paragraphs 4 and 5 above, we express no opinion as to federal or State of California tax consequences of the ownership of the Bonds. We also express no opinion regarding any other tax consequences with respect to the acquisition, ownership, or disposition of, or the accrual or receipt of interest on, the Bonds.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution, the Indenture and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

## APPENDIX F

### INFORMATION REGARDING THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing

Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. 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). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

6. Redemption notices will be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its

usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Agent, on 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

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

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

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

\$ \_\_\_\_\_  
**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
INDIAN WELLS VALLEY WATER DISTRICT  
SERIES 2024 WATER REVENUE BONDS  
(WATER TRANSMISSION PIPELINE REPLACEMENT PROJECT)**

\_\_\_\_\_, 2024

CONTRACT OF PURCHASE

California Municipal Public Financing Authority  
2108 N. Street, Suite 5030  
Sacramento, CA 95816

Indian Wells Valley Water District  
P.O. Box 1329  
Ridgecrest, CA 93556-1329

Ladies and Gentlemen:

The undersigned, FHN Financial Capital Markets (the “Underwriter”), hereby offers to enter into this Contract of Purchase (the “Contract of Purchase”) with the California Municipal Public Financing Authority (the “Authority”), a joint exercise powers authority duly organized and validly existing under and pursuant to the laws of the State of California (the “State”), and the Indian Wells Valley Water District (the “District”), a county water district duly organized and existing under and by virtue of the laws of the State, which upon written acceptance of this offer will be binding upon the Authority, the District and the Underwriter. This offer is made subject to the written acceptance of this Contract of Purchase by the District and the delivery of such acceptance to the Underwriter at or prior to 6:00 P.M., California time, on the date hereof.

1. Upon the terms and conditions and upon the basis of the representations and warranties hereinafter set forth, the Underwriter hereby agrees to purchase from the Authority for reoffering to the public, and the Authority hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of \$\_\_\_\_\_ aggregate principal amount of the Authority’s Indian Wells Valley Water District Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project) (the “Bonds”). The aggregate purchase price of the Bonds shall be \$\_\_\_\_\_ (representing the principal amount of the Bonds, plus [a/an net original issue premium/discount] of \$\_\_\_\_\_ and less an underwriting fee of \$\_\_\_\_\_).

2. The Bonds are being issued pursuant to the provisions of a resolution adopted by the Board of Directors of the District approving the Bonds and other matters in connection therewith (the “District Resolution”), a resolution adopted by the Board of Directors of the Authority approving the Bonds and other matters in connection therewith (the “Authority Resolution”) and the Indenture of Trust, dated as of February 1, 2024 (the “Indenture”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the

“Trustee”). Capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in the Indenture.

The Bonds are limited obligations of the Authority payable solely from and secured by certain installment payments (the “Installment Payments”) payable from and secured by a pledge of and lien on the Net Revenues of District’s the Water Enterprise (as such term is defined in the hereinafter defined Installment Sale Agreement) pursuant to the Installment Sale Agreement (the “Installment Sale Agreement”), dated as of February 1, 2024, by and between the Authority and the District. Certain rights of the Authority under the Installment Sale Agreement with respect to the Bonds, including the right to receive the Installment Payments for the Bonds, will be assigned to the Trustee under the Indenture. Subject to certain conditions set forth in the Installment Sale Agreement, the District may incur Parity Obligations (as such term is defined in the Installment Sale Agreement) payable from and secured by the Net Revenues on parity with the Bonds.

The Preliminary Official Statement with respect to the Bonds, dated \_\_\_\_\_, 2024 (together with the cover page, Appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto, the “Preliminary Official Statement”), as amended to conform to the terms of this Contract of Purchase, and with such changes and amendments as are mutually agreed to by the Authority, the District and the Underwriter, is herein referred to as the “Official Statement.” The Authority and the District hereby ratify, confirm and approve the use by the Underwriter of the Preliminary Official Statement. The Authority and the District hereby deem the Preliminary Official Statement to be final as of its date, except for either revisions to or additions of the initial public offering prices, interest rates, yields, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings, credit enhancement, redemption terms, if any, other terms of the Bonds which depend upon the foregoing and other permitted omissions as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended (“Rule 15c2-12”).

The Bonds shall be dated the date of their delivery, and shall mature as set forth in Schedule I attached hereto. The Bonds are being issued to provide funds, together with certain other available moneys to: (i) finance the acquisition and construction of certain new improvements and facilities which will constitute part of the Water Enterprise (the “2024 Project”); and (ii) to pay costs incurred in connection with the issuance of the Bonds.

The Bonds shall be substantially in the form described in, shall be issued and secured under and pursuant to the Indenture, substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the Authority, the District and the Underwriter. The Bonds shall be subject to redemption as provided in Schedule I hereto, in the Official Statement and the Indenture.

3. The Underwriter intends to make a bona fide public offering of all the Bonds at prices set forth in Schedule I attached hereto and incorporated herein by reference; provided, however, the Underwriter reserves the right to change such initial public offering prices as the Underwriter deems necessary or desirable, in their sole discretion, in connection with the marketing of the Bonds (but in all cases subject to the requirements of this Section 3), and may

offer and sell the Bonds to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by the Underwriter at prices lower than the public offering prices (but in all cases subject to this Section 3).

(a) The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) [Except as otherwise set forth in Schedule I attached hereto,] the Authority will treat the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Contract of Purchase, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. [If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Authority or bond counsel.] For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) [The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Contract of Purchase at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Schedule I attached hereto, except as otherwise set forth therein. Schedule I also sets forth, as of the date of this Contract of Purchase, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Authority promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.]

(d) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Authority acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in

connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(f) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Contract of Purchase by all parties.

4. The Authority and the District hereby authorize the use by the Underwriter of the Authority Resolution, the District Resolution, the Continuing Disclosure Certificate dated the Closing Date (as defined in Section 7 below) (the “Continuing Disclosure Certificate”), by the District, the Indenture, the Installment Sale Agreement, the Preliminary Official Statement, the Official Statement, and any supplements or amendments thereto, and the information contained in each of such documents, in connection with the public offering and sale of the Bonds.

5. Within seven (7) business days from the date hereof, and in any event not later than one (1) business day before the Closing Date, the Authority and the District hereby agree to deliver, or to cause to be delivered, the Official Statement (including the financial statements and Appendices as included or incorporated by reference therein) in “designated electronic format” (as defined in Rule G-32 of the Municipal Securities Rulemaking Board (the “MSRB”)) to such addresses as the Underwriter shall specify, in order to enable the Underwriter to comply with the obligations of the underwriters pursuant to Rule 15c2-12(b)(4) under the Securities and Exchange Act of 1934, as amended, Rule G-32 and all other applicable rules of the MSRB. The Underwriter agrees to file the Official Statement (including the Official Statement as it may be amended or supplemented) with the MSRB through its Electronic Municipal Market Access system within one Business Day after receipt from the Authority or the District, but in no event later than the Closing Date.

6. The District will undertake, pursuant to the Continuing Disclosure Certificate, to provide certain annual financial information and notices of certain events, as described in the Official Statement.

7. At 8:00 A.M., Los Angeles time, on \_\_\_\_\_, 2024, or at such other time or on such other Business Day as shall have been mutually agreed upon by the Authority, the District and the Underwriter (the “Closing Date”), the Authority and the District, subject to the terms and conditions hereof, will cause the delivery of the Bonds to the Underwriter through the facilities of The Depository Trust Company, New York, New York (“DTC”), or at such other place as the District and the Underwriter may mutually agree upon, such Bonds to be in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC; and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Bonds by wire transfer in immediately available funds to, or in care of, the Trustee as directed in a certificate of an Authorized Representative as shall have been mutually agreed upon by the Authority, the District and the Underwriter; such delivery of and payment for the Bonds is referred to herein as the “Closing.” The proceedings for Closing shall occur at the offices of The Weist Law Firm, Los Gatos, California or such other place as shall have been mutually agreed upon by the District and the Underwriter. The Bonds shall be made available for inspection by the Underwriter and DTC at least one Business Day before the Closing.

8. The Authority represents, warrants and covenants to the Underwriter that:

a. The Authority is a joint exercise of powers authority duly organized and validly existing under and pursuant to the laws of the State of California, with full legal right, power and authority to issue, sell and deliver the Bonds to the Underwriter pursuant to the Indenture;

b. (i) At or prior to the Closing, the Authority will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds and the performance of its obligations thereunder; (ii) the Authority has full legal right, power and authority (a) to enter into the Indenture, the Installment Sale Agreement and this Contract of Purchase (collectively, the “Authority Documents”), (b) to adopt the Authority Resolution, and (c) to carry out and consummate the transactions contemplated by the Authority Documents, the Authority Resolution and the Official Statement; and (iii) this Contract of Purchase has been duly executed and delivered and constitutes a valid and legally binding obligation of the Authority enforceable in accordance with its terms; (iv) the Indenture and the Installment Sale Agreement, when executed and delivered, will constitute valid and legally binding obligations of the Authority enforceable in accordance with their respective terms; (v) the Bonds, when issued, authenticated and delivered to the Underwriter in accordance with the terms of the Indenture will constitute legal, valid and binding instruments, entitled to the benefits of the Authority Resolution and the Indenture and enforceable in accordance with their terms;

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

d. Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the officer of the Authority executing this Contract of Purchase, threatened (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Bonds, or the application of the proceeds of sale of the Bonds, or the collection of revenues pledged or to be pledged to pay the principal or interest or other amounts due with respect to the Bonds, or the execution and delivery by the Authority of this Contract of Purchase; (iii) in any way contesting or affecting the validity of the Bonds, the Authority Resolution, the Authority Documents or the tax-exempt status of interest due with respect to the Bonds; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

e. All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the

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

f. The statements and information contained in the Preliminary Official Statement under the captions “THE AUTHORITY” and “LITIGATION,” as of the date of the Preliminary Official Statement, were true and correct in all material respects, and did not, and as of the date hereof does not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

g. As of the date of the Official Statement and at all times after the date of the Official Statement up to and including the Closing Date, the statements and information contained in the Official Statement under the captions “THE AUTHORITY” and “LITIGATION,” did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

h. At the time of the Authority’s acceptance hereof and (unless an event occurs of the nature described in Section 8(i) or 9(k)) at all times during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the end of the underwriting period for the Bonds (as determined in accordance with Section 16 hereof), the information contained in the Official Statement under the captions “THE AUTHORITY” and “LITIGATION,” does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

i. If the Official Statement is supplemented or amended pursuant to Section 8(j) or 9(l), at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such Sections) at all times during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the end of the underwriting period for the Bonds (as determined in accordance with Section 16 hereof), the information contained in the Official Statement under the captions “THE AUTHORITY” and “LITIGATION,” as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

j. If during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the end of the underwriting period for the Bonds (as determined in accordance with Section 16 hereof) any event shall occur which might or would cause the information contained in the Official Statement under the captions “THE AUTHORITY” and “LITIGATION – Authority,” as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will prepare and furnish to the Underwriter (i) a reasonable number of copies of the supplement or amendment to the Official Statement in form and substance acceptable to the Underwriter, and (ii) if such notification shall be subsequent to the Closing, such legal opinion, certification, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement;

k. The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certificates may not be relied upon; and

l. The Authority has not entered into any prior continuing disclosure undertakings pursuant to Rule 15c2-12.

All representations, warranties and agreements of the Authority shall remain operative and in full force and effect, regardless of any investigations made by the Underwriter or on the Underwriter’s behalf, shall survive delivery and payment of the Bonds and shall survive termination of this Contract of Purchase, other than pursuant to Section 11.

9. The District represents, warrants and covenants to the Underwriter that:

a. The District is a county water district duly organized and existing under the laws of the State of California, with full legal right, power and authority to undertake the activities described in and contemplated by the Preliminary Official Statement, the Official Statement, the Installment Sale Agreement and this Contract of Purchase, including without limitation the adoption, execution and delivery of the documents and agreements described therein and herein as documents and agreements to which it is a party;

b. (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds and the performance of its obligations thereunder; (ii) the District has full legal right, power and authority (a) to enter into the Continuing Disclosure Certificate, the Installment Sale Agreement, the Official Statement and this Contract of Purchase (collectively, the “District Documents”), (b) to adopt the District Resolution, and (c) to carry out and consummate the transactions contemplated by the District Documents, the District Resolution, and the Official Statement; and (iii) this Contract of Purchase has been duly executed and delivered and constitutes a valid and legally binding obligation of the District enforceable in accordance with its terms; (iv) the Installment Sale Agreement and the Continuing Disclosure Certificate, when executed and

delivered, will constitute valid and legally binding obligations of the District enforceable in accordance with their respective terms; (v) the Bonds, when issued, authenticated and delivered to the Underwriter in accordance with the terms of the Indenture will constitute legal, valid and binding instruments, entitled to the benefits of the District Resolution and the Installment Sale Agreement and enforceable in accordance with their terms;

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

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

e. Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the officer of the District executing this Contract of Purchase, threatened (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Bonds, or the application of the proceeds of sale of the Bonds, or the collection of revenues pledged or to be pledged to pay the principal or interest or other amounts due with respect to the Bonds, or the execution and delivery by the District of this Contract of Purchase; (iii) in any way contesting or affecting the validity of the Bonds, the District Resolution, the District Documents or the tax-exempt status of interest due with respect to the Bonds; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

f. The District will furnish such information, execute such instruments and take such other action not inconsistent with law as the Underwriter may request (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to

determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the District shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction;

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

h. The Preliminary Official Statement (other than information permitted to be omitted from the deemed final Preliminary Official Statement under Rule 15c2-12) as of its date did not, and as of the date hereof, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

i. The Official Statement, as of its date and at all times after the date of the Official Statement (other than information permitted to be omitted from the deemed final Preliminary Official Statement under Rule 15c2-12) up to and including the Closing Date will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

j. At the time of the District's acceptance hereof and (unless an event occurs of the nature described in Section 8(i) or 9(k)) at all times during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the end of the underwriting period for the Bonds (as determined in accordance with Section 16 hereof), the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

k. If the Official Statement is supplemented or amended pursuant to Section 8(j) or 9(l), at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such Sections) at all times during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the end of the underwriting period for the Bonds (as determined in accordance with Section 16

hereof), the Official Statement as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

l. If during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the end of the underwriting period for the Bonds (as determined in accordance with Section 16 hereof) any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District shall notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will prepare and furnish to the Underwriter (i) a reasonable number of copies of the supplement or amendment to the Official Statement in form and substance acceptable to the Underwriter, and (ii) if such notification shall be subsequent to the Closing, such legal opinion, certification, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement;

m. The financial statements of, and other financial information regarding, the District contained in the Official Statement fairly present the financial position and results of the operations of the District as of the dates and for the periods therein set forth, and, to the best of the District's knowledge, (i) the annual audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied; (ii) the other historical financial information has been determined on a basis substantially consistent with that of the District's audited financial statements included in the Official Statement; (iii) there has not been any material increase in long-term debt or commitments or any material decrease in fund equity of the District, other than through the normal course of operations of the District as compared to the audited financial statements of the District for the year ended June 30, [2022] included in the Preliminary Official Statement and the Official Statement; (iv) no events have occurred which would require adjustments of or disclosures in the audited financial statements of the District as of and for the year ended June 30, [2022], included in the Preliminary Official Statement and the Official Statement, in order for them to be in conformity with generally accepted accounting principles; and (v) the audited financial statements of the District as of and for the year ended June 30, [2022], included in the Preliminary Official Statement and the Official Statement, do not require adjustments or additional disclosures essential to a fair presentation in conformity with generally accepted accounting principles;

n. The consent of C.J. Brown & Company CPAs, Riverside, California, independent certified public accountants to the District, is not required for inclusion of their report on the District's financial statements for the fiscal year ended June 30, [2022] and reference to such firm included in the Preliminary Official Statement and the Official Statement;

o. Except as disclosed in the Official Statement, the District has not failed in the past five years to comply in all material respects with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual reports or notices of events specified in such rule; and

p. The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certificates may not be relied upon.

All representations, warranties and agreements of the District shall remain operative and in full force and effect, regardless of any investigations made by the Underwriter or on the Underwriter's behalf, shall survive delivery and payment of the Bonds and shall survive termination of this Contract of Purchase, other than pursuant to Section 11.

10. The Underwriter has entered into this Contract of Purchase in reliance upon the representations and warranties of the Authority and the District contained herein, the covenants of the Authority and the District contained in the Bonds, the Authority Documents, the District Documents, as applicable, and the performance by the Authority and the District of their respective obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriter's obligations under this Contract of Purchase are and shall be subject to the following further conditions:

a. The representations and warranties of the Authority and the District contained herein shall be true, complete and correct in all material respects on the date hereof and at and as of the Closing, as if made at and as of the Closing, except that all representations in respect of the Preliminary Official Statement shall be deemed to have been made as of the date of this Contract of Purchase, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects at the Closing; the Authority and the District shall be in compliance with each of the agreements made by it in this Contract of Purchase (unless such agreements are waived by the Underwriter); and there shall not have occurred an adverse change in the financial position, results of operations or financial condition of the District which may result in any material adverse change in the business, properties, assets or the financial condition of the District or which may have a material adverse effect on the ability of the Authority or the District to meet their respective obligations under the Authority Resolution, the District Resolution, the Bonds the Installment Sale Agreement and the Indenture;

b. At the time of the Closing, the Official Statement, the Authority Resolution, the District Resolution, the Continuing Disclosure Certificate, the Bonds, the Indenture, the Installment Sale Agreement and this Contract of Purchase shall be in full force and effect, and shall not have been amended, modified or supplemented (except as may be agreed to in writing by the Underwriter, the Authority and the District); all actions which, in the opinion of The Weist Law Firm ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and the Authority and the District shall perform or have performed their respective obligations required under or specified in this Contract of Purchase, the Official Statement, the Authority Resolution, the District Resolution, the Continuing Disclosure Certificate, the Bonds, the Indenture and the Installment Sale Agreement to be performed at or prior to the Closing;

c. At the time of the Closing, the Official Statement (as amended and supplemented) shall be true and correct in all material respects, and shall not omit any statement

or information necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

d. At the time of the Closing, except as disclosed in the Official Statement, (i) no default shall have occurred or be existing under the Authority Documents or the District Documents and neither the Authority nor the District shall be in default in the payment of the principal or interest on any bond, note or other evidence of indebtedness issued by the Authority or the District and (ii) no bankruptcy, insolvency or other similar proceeding in respect of the Authority or the District shall be pending or to the knowledge of the Authority or the District contemplated;

e. At or prior to the Closing, the Underwriter shall receive the following documents:

(1) A copy of the Authority Resolution, certified by the Secretary of the Authority as having been duly adopted by the Authority and as being in full force and effect on the date of Closing, with such changes or amendments as may have been agreed to by the Underwriter;

(2) A copy of the District Resolution, certified by the Secretary of the District as having been duly adopted by the District and as being in full force and effect on the date of Closing, with such changes or amendments as may have been agreed to by the Underwriter;

(3) The opinion of Bond Counsel, dated the Closing Date, in substantially the form included in the Official Statement as Appendix E, addressed to the Authority and the Underwriter (or accompanied by a reliance letter to the Underwriter);

(4) A supplemental opinion or opinions of Bond Counsel, dated the Closing Date, in form and substance satisfactory to the Underwriter and Counsel to the Underwriter, addressed to the Authority, the District and the Underwriter, to the effect that (i) the Authority Documents and the District Documents have each been duly authorized, executed and delivered by the Authority and the District, respectively, and, assuming the due authorization, execution and delivery thereof by the other respective parties, if any, thereto, constitute the respective legal, valid and binding obligations of the Authority and the District enforceable against the Authority and the District in accordance with their respective terms, except to the extent that the enforceability thereof may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws now or hereafter enacted affecting the enforcement of creditors' rights and the unavailability of equitable remedies or the application thereto of general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and (iii) the statements set forth in the Preliminary Official Statement and the Official

Statement (or if either shall be amended or supplemented, the statements in the Preliminary Official Statement or Official Statement as so amended or supplemented addressing the matters addressed in the statements) contained in the front portion of the Preliminary Official Statement and the Official Statement under the headings “INTRODUCTION,” “THE BONDS,” “SECURITY FOR THE BONDS,” “THE INSTALLMENT SALE AGREEMENT,” and “TAX MATTERS,” and in Appendix A thereto, are accurate statements or summaries, in all material respects, of the constitutional and statutory provisions or documents therein set forth insofar as the same relate to the Authority Resolution, the District Resolution, the Indenture, the Installment Sale Agreement, the Bonds, the constitutional and statutory provisions and other legal matters relating to the creation and legal powers of the Authority and the District and the terms and provisions of the documents therein summarized;

(5) The negative assurance letter, dated the date of the Closing and addressed to the Authority, the District and the Underwriter, of The Weist Law Firm, as Disclosure Counsel to the Authority, to the effect that based upon their participation in the preparation of the Preliminary Official Statement and the Official Statement as Disclosure Counsel to the Authority and without having undertaken to determine independently the accuracy or completeness of the contents in the Preliminary Official Statement and the Official Statement, such counsel has no reason to believe that the Preliminary Official Statement, as of its date and as of the date hereof, or the Official Statement, as of its date and as of the Closing Date (except for information therein with respect to DTC or with respect to any financial, numerical or statistical data, or any estimates, assumptions and expressions of opinion, contained in the Preliminary Official Statement and the Official Statement, including any of the appendices thereto, as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein, in light of the circumstances under which they were made, not misleading in any material respect;

(6) An opinion of counsel to the Authority (“Counsel to the Authority”), in form and substance satisfactory to the Underwriter dated the Closing Date, addressed to the Underwriter, to the effect that: (i) the Authority is duly existing as a joint exercise of powers authority duly organized under and by virtue of the laws of the State, with full legal right, power and authority to undertake the activities described in and contemplated by the Preliminary Official Statement, the Official Statement and the Contract of Purchase and to execute and deliver the documents and agreements described in the Preliminary Official Statement and the Official Statement as documents and agreements to which the Authority is a party; (ii) the Authority Resolution was duly adopted at a meeting of the Board of the Authority, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout; (iii) the Authority Documents have each been duly authorized, executed and delivered by the Authority; (iv) to the best of its actual knowledge, the execution and delivery of the Authority Documents and the Official Statement

and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the Authority a breach or default under any existing law, regulation, court order or consent decree to which the Authority is subject; (v) to the best of its actual knowledge, the execution and delivery of the Authority Documents and the Official Statement and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the Authority a breach or default under any agreement or instrument to which the Authority is a party or by which the Authority is bound; (vi) all actions on the part of the Authority necessary for the making and performance of the Authority Documents, and the actions on the part of the Authority contemplated thereby, including causing the execution and delivery of the Bonds, have been duly and effectively taken; (vii) to its knowledge, no consent, authorization or approval of, or filing or registration with, any governmental or regulatory officer or body not already obtained is required to be obtained by the Authority for the making and performance of the Authority Documents or the actions on the part of the Authority contemplated thereby, including causing the execution and delivery of the Bonds; (viii) after due inquiry of the United States District Court located in the City of Sacramento, California, and the Superior Court of the State of California, located in the City of Sacramento, there is no action, proceeding or investigation at law or in equity before or by any court, public board or body; pending or, to its current actual knowledge, threatened to restrain or enjoin the execution or delivery of any of the Bonds, or the application of the proceeds of sale of the Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due with respect to the Indenture or the Bonds, or in any way contesting or affecting the execution, delivery or validity of the Authority Documents or the Bonds or the security therefor or the Authority Resolution; and (ix) after due inquiry of the United States District Court located in the City of Sacramento, California, and the Superior Court of the State of California, located in the City of Sacramento, there is no action, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to its current actual knowledge, threatened against the Authority or involving any of the property or assets under the control of the Authority wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Authority to perform its obligations under the Authority Documents or the transactions contemplated thereby or the security for the Bonds, the Authority Resolution or the federal, state or local tax-exemption of interest or other amounts due with respect to the Bonds. In addition, Counsel to the Authority shall state that, although they have not verified, are not passing upon and assume no responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement, to their actual knowledge, they have no reason to believe that insofar as each relates to the Authority (a) the Preliminary Official Statement as of its date and as of the date of the Contract of Purchase contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (b) the Official Statement as of its date contained, and

as of the Closing Date contains, an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that in expressing the foregoing opinion, Counsel to the Authority may advise that it had limited participation in the preparation of the Preliminary Official Statement and the Official Statement and have undertaken no responsibility to undertake any due diligence to investigate the accuracy (or lack thereof) of any of the statements (or lack thereof) contained in the Preliminary Official Statement and the Official Statement, including, without limitation, financial statements, financial data or operational or historical information concerning the District;

(7) An opinion of McMurtrey, Hartstock, Worth & St. Lawrence, Counsel to the District, in form and substance satisfactory to the Underwriter dated the Closing Date, addressed to the Underwriter, to the effect that: (i) the District is duly existing as a county water district organized under and by virtue of the laws of the State of California, with full legal right, power and authority to undertake the activities described in and contemplated by the Preliminary Official Statement, the Official Statement and the Contract of Purchase and to execute and deliver the documents and agreements described in the Preliminary Official Statement and the Official Statement as documents and agreements to which the District is a party; (ii) the District Resolution was duly adopted at a meeting of the Board of the District, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout; (iii) the District Documents have each been duly authorized, executed and delivered by the District; (iv) to the best of its actual knowledge, the execution and delivery of the District Documents and the Official Statement and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the District a breach or default under any existing law, regulation, court order or consent decree to which the District is subject; (v) to the best of its actual knowledge, the execution and delivery of the District Documents and the Official Statement and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the District a breach or default under any agreement or instrument to which the District is a party or by which the District is bound; (vi) the statements set forth in the Official Statement contained under the heading “THE DISTRICT,” “THE WATER ENTERPRISE” and “FINANCIAL INFORMATION” regarding the District’s authority to levy certain charges are accurate statements in all material respects; (vii) all actions on the part of the District necessary for the making and performance of the District Documents, and the actions on the part of the District contemplated thereby, including causing the execution and delivery of the Bonds, have been duly and effectively taken; (viii) to its knowledge, no consent, authorization or approval of, or filing or registration with, any governmental or regulatory officer or body not already obtained is required to be obtained by the District for the making and performance of the District Documents or the actions on the part of the District contemplated thereby, including causing the execution and delivery of the Bonds; (ix) after due inquiry of the United States District Court located in the City of Bakersfield, California, and the Superior Court of the State of California, located

in the City of Ridgecrest, there is no action, proceeding or investigation at law or in equity before or by any court, public board or body; pending or, to its current actual knowledge, threatened to restrain or enjoin the execution or delivery of any of the Bonds, or the application of the proceeds of sale of the Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due with respect to the Indenture or the Bonds, or in any way contesting or affecting the execution, delivery or validity of the District Documents or the Bonds or the security therefor or the District Resolution; and (x) after due inquiry of the United States District Court located in the City of Bakersfield, California, and the Superior Court of the State of California, located in the City of Ridgecrest, there is no action, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to its current actual knowledge, threatened against the District or involving any of the property or assets under the control of the District wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the District to perform its obligations under the District Documents or the transactions contemplated thereby or the security for the Bonds, the District Resolution, or the federal, state or local tax-exemption of interest or other amounts due with respect to the Bonds. In addition, Counsel shall state that, although they have not verified, are not passing upon and assume no responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement, to their actual knowledge, they have no reason to believe that insofar as each relates to the District (a) the Preliminary Official Statement as of its date and as of the date of the Contract of Purchase contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (b) the Official Statement as of its date contained, and as of the Closing Date contains, an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that in expressing the foregoing opinion, Counsel to the District may advise that it had limited participation in the preparation of the Preliminary Official Statement and the Official Statement and have undertaken no responsibility to undertake any due diligence to investigate the accuracy (or lack thereof) of any of the statements (or lack thereof) contained in the Preliminary Official Statement and the Official Statement, including, without limitation, financial statements, financial data or operational or historical information concerning the District;

(8) The opinion of Nixon Peabody LLP, Los Angeles, California, Counsel to the Underwriter dated the Closing Date addressed to the Underwriter, in form and substance satisfactory to the Underwriter;

(9) A certificate signed by the Executive Director of the Authority or another duly authorized official of the Authority in form and substance satisfactory to the Underwriter dated the Closing Date to the effect that each and all of the representations and warranties of the Authority contained in this

Contract of Purchase are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date, except that all representations in respect of the Preliminary Official Statement shall be deemed to have been made as of the date of this Contract of Purchase, and no event affecting the Authority has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein, in light of the circumstances under which they were or are made, not misleading in any material respect;

(10) A certificate signed by the Executive Director of the Authority or another duly authorized official of the Authority in form and substance satisfactory to the Underwriter dated the Closing Date to the effect that (i) other than as set forth in the Preliminary Official Statement and the Official Statement, no litigation is pending or, to his knowledge, threatened in any court to restrain or enjoin the execution or delivery of any of the Bonds, or the application of the proceeds of sale of the Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due with respect to the Indenture or the Bonds, or in any way contesting or affecting the adoption of the Authority Resolution or the execution, delivery or validity of the Indenture, the Installment Sale Agreement or the Bonds or the security therefor or the Indenture; and (ii) other than as set forth in the Preliminary Official Statement and the Official Statement, there is no litigation pending, or, to his knowledge, threatened against the Authority or involving any of the property or assets under the control of the Authority wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Authority to perform its obligations under the Authority Resolution, the Authority Documents or the Bonds or the security for the Bonds or the exclusion of interest due with respect to the Bonds from gross income for purposes of federal, state or local income taxation;

(11) A certificate signed by the General Manager of the District or another duly authorized official of the District in form and substance satisfactory to the Underwriter dated the Closing Date to the effect that each and all of the representations and warranties of the District contained in this Contract of Purchase are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date, except that all representations in respect of the Preliminary Official Statement shall be deemed to have been made as of the date of this Contract of Purchase, and no event affecting the District has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein, in light of the circumstances under which they were or are made, not misleading in any material respect;

(12) A certificate signed by the General Manager of the District or another duly authorized official of the District in form and substance satisfactory to the Underwriter dated the Closing Date to the effect that (i) other than as set forth in the Preliminary Official Statement and the Official Statement, no litigation is pending or, to his knowledge, threatened in any court to restrain or enjoin the execution or delivery of any of the Bonds, or the application of the proceeds of sale of the Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due with respect to the Indenture or the Bonds, or in any way contesting or affecting the adoption of the District Resolution or the execution, delivery or validity or the Indenture, the Installment Sale Agreement or the Bonds or the security therefor or the Indenture; and (ii) other than as set forth in the Preliminary Official Statement and the Official Statement, there is no litigation pending, or, to his knowledge, threatened against the District or involving any of the property or assets under the control of the District wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the District to perform its obligations under the District Resolution, the District Documents or the Bonds or the security for the Bonds or the exclusion of interest due with respect to the Bonds from gross income for purposes of federal, state or local income taxation;

(13) A certificate signed by an authorized officer of the Trustee, addressed to the Underwriter, in form and substance satisfactory to the Underwriter dated the Closing Date to the effect that (i) the Trustee is a duly organized and validly existing national banking association and has full power and authority to carry out its activities under the Indenture, (ii) the Bonds have been duly authenticated and delivered by the Trustee in accordance with the Indenture, (iii) the Indenture has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery by the other party thereto, the Indenture is the valid, legal and binding agreement of the Trustee, enforceable in accordance with its terms, and (iv) the execution and delivery of the Indenture and the authentication and delivery of the Bonds, and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, court decree, resolution, charter, by-law or agreement to which the Trustee is subject or by which it is bound;

(14) An opinion of counsel to the Trustee, addressed to the Underwriter, in form and substance satisfactory to the Underwriter dated the Closing Date to the effect that (i) the Trustee has duly authorized, executed and delivered the Indenture and the Indenture constitutes the valid and legally binding agreement of the Trustee enforceable in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditor's rights, (ii) the Trustee has lawful authority for the authentication and delivery of the Bonds, (iii) the Trustee has duly executed and delivered the Bonds in accordance with the Indenture; (iv) the Trustee is a national banking association duly

organized, validly existing and in good standing under the laws of the United States having full power and authority and being qualified to enter into, accept and administer the trust created under the Indenture to which it is a party and to enter into such Indenture; (v) the execution, delivery and performance of its duties under the Indenture will not conflict with or cause a default under any law, ruling, agreement, administrative regulation or other instrument by which the Trustee is bound; and (vi) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is served and pending or threatened in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or the application of proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the Bonds or the Indenture;

(15) Executed copies of this Contract of Purchase, the Indenture, the Installment Sale Agreement, the Continuing Disclosure Certificate, and the Official Statement, together with a copy of the record of proceedings for the Bonds;

(16) A Tax Certificate of the Authority and the District signed by an authorized officer of the Authority and an authorized officer of the District;

(17) Evidence that the long-term credit ratings on the Bonds of “\_\_\_” have been assigned by S&P, and is in full force and effect on the Closing Date;

(18) A copy of the Blue Sky Survey with respect to the Bonds;

(19) A copy of the Authority’s executed Blanket Letter of Representation to The Depository Trust Company; and

(20) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Authority and the District with legal requirements, the accuracy, as of the time of Closing, of the Authority’s and the District’s respective representations herein contained and the due performance or satisfaction by the Authority and the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the District.

If the Authority or the District shall be unable to satisfy the conditions to the Underwriter’s obligations contained in this Contract of Purchase or if the Underwriter’s obligations shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate and neither the District, the Authority nor the Underwriter shall have any further obligation hereunder, nor any liability to any other party with respect to such termination.

11. The Underwriter may terminate this Contract of Purchase by notification to the Authority and the District if at any time after the date hereof and prior to the Closing any of the following events shall occur in the sole and reasonable judgment of the Underwriter:

a. Legislation shall have been introduced in or favorably reported for passage by the State of California, in either house of the Congress of the United States of America by any committee of such house to which legislation has been referred for consideration or has been enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service, affecting (directly or indirectly) the federal or state taxation of interest received on obligations of the general character of the Bonds which, in the judgment of the Underwriter, materially adversely affects the market price or the marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds;

b. Legislation shall have been introduced in or favorably reported for passage by either house of the United States Congress by any committee of such house to which such legislation has been referred for consideration, or has been enacted (or resolution passed) by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws as amended and then in effect;

c. A general suspension of trading in securities on the New York Stock Exchange, or the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter, or a general banking moratorium or limits on loans or the amounts of loans to investment banking firms in general shall have been declared by federal, State of New York or State of California officials authorized to do so, which in the judgment of the Underwriter materially adversely affects the market price or the marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds;

d. The introduction, proposal or enactment of any amendment to the United States Constitution or California Constitution or any action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District, its property, income, securities (or interest thereon), the validity or enforceability of the Indenture or the Bonds;

e. Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement, or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

f. There shall have occurred and be continuing (1) any outbreak or increase of hostilities or terrorism or other local, national or international event, act, or occurrence; or (2) any calamity or crisis in the financial markets in the United States; or (3) a default with respect to the debt obligations of, or the institution of proceedings under the federal or applicable state bankruptcy laws by or against, any agency or instrumentality of the State of California, any state of the United States or agency thereof, or any city located in the United States having a population of over one million the effect of which on the financial markets of the United States of America, which in the reasonable judgment of the Underwriter, is such as to materially and adversely affect the market price or the marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds;

g. There shall have been any material change in the affairs of the District or the Authority and the District or the Authority refuses to permit the Official Statement to be supplemented in a manner satisfactory to the Underwriter, or the Official Statement shall have been supplemented pursuant to Section 8(j) or 9(l) hereof, and in the reasonable judgment of the Underwriter, such change or supplement materially affects the marketability of the Bonds or the market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds;

h. Any rating of the Bonds shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds;

i. An order, decree or injunction of any court of competent jurisdiction, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Preliminary Official Statement of the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities law as amended and then in effect;

j. A stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject

matter shall have been made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, or the execution and delivery of the Authority Documents and the District Documents as contemplated hereby or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws, including the Securities Act of 1933, as amended, the Securities and Exchange Act of 1934, as amended, or the Trust Indenture Act, each as amended and as then in effect; or

k. Any litigation shall be instituted or be pending at the time of the Closing to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings, authorizing and approving the Bonds, the Act, the Authority Resolution, the District Resolution, the Authority Documents, the District Documents or the existence or powers of the Authority or the District with respect to their respective obligations under the Authority Documents, the District Documents or the Bonds.

12. The Authority and the District shall, except as set forth in the next succeeding paragraph, pay any expenses incident to the performance of the obligations of the Authority and the District hereunder, including but not limited to the following: (i) the cost of the preparation, printing and delivery of the Bonds, (ii) the fees for bond ratings, (iii) the cost of printing and distribution of the Indenture, the Continuing Disclosure Certificate, the Preliminary Official Statement and the Official Statement, (iv) the fees and disbursements of Bond Counsel and Disclosure Counsel, (v) any fees and disbursements of the District's accountants, (vi) the fees and disbursements of Counsel to the Authority and Counsel to the District, (vii) the fees and disbursements of the Trustee and its counsel, (viii) the fees and expenses of California Municipal Advisors, municipal advisor to the District, (ix) the fees and disbursements of any other engineers, accountants, attorneys, auditors and other experts or consultants or advisors retained by the District, (x) any other costs and disbursements incurred by the Authority and the District in connection with the transaction. To the extent that the Underwriter, in order to facilitate the transactions hereunder, have advanced funds to pay any expenses of the Authority and the District incidental to this Contract of Purchase and the transactions hereunder (including, but not limited to, transportation, lodging, meals and other ancillary costs of Authority or District representatives associated with the financing), the Authority or the District shall reimburse the Underwriter for such advances as part of the expense component of the Underwriter's compensation hereunder.

The Underwriter shall pay (i) the fees and disbursements of Nixon Peabody LLP, retained by the Underwriter in connection with the purchase and sale of the Bonds pursuant hereto as Underwriter's counsel, (ii) the fee payable to the California Debt and Investment Advisory Commission with respect to the sale of the Bonds, (iii) advertising expenses and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, (iv) fees and expenses related to obtaining CUSIP numbers, and (v) expenses to qualify the Bonds for sale under any Blue Sky laws. Notwithstanding that the fees payable to the California Debt and Investment Advisory Commission are solely the legal obligation of the Underwriter, the District agrees to reimburse the Underwriter for such fees.

13. The Authority and the District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and to provide for the continuance of such qualification; *provided, however,* that the District will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.

14. Any notice or other communication to be given to the District under this Contract of Purchase may be given by delivering the same in writing to Indian Wells Valley Water District, 500 W. Ridgecrest Boulevard, P.O. Box 1329, Ridgecrest, California 93556-1329, Attention: Chief Financial Officer, or to such other person as he may designate in writing, and any notice or other communication to be given to the Underwriter under this Contract of Purchase (other than the acceptance hereof as specified in the first Paragraph hereof) may be given by delivering the same in writing to FHN Financial Capital Markets, 15169 N. Scottsdale Road, Suite 205, Scottsdale, Arizona 85254, Attention: Rene Moreno, Senior Vice President.

15. The validity, interpretation and performance of this Contract of Purchase shall be governed by the laws of the State of California.

16. The term “end of the underwriting period” means the later of such time as (i) the Authority and the District deliver the Bonds to the Underwriter or (ii) the Underwriter does not retain directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the “end of the underwriting period” shall be deemed the Closing Date. Any notice delivered pursuant to this Section shall be written notice, delivered to the Authority and the District at or prior to the Closing, and shall specify a date, other than the Closing Date (or other date specified by notice delivered pursuant to this Section), to be deemed the “end of the underwriting period.”

17. This Contract of Purchase may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. The parties further agree that facsimile signatures or signatures scanned into a portable document format (pdf file) (or signatures in another electronic format designated by the Authority) and sent by e-mail shall be deemed original signatures.

18. The Authority and the District acknowledge and agree that: (i) the transaction contemplated by this Contract of Purchase is an arm’s length, commercial transaction between the Authority, the District and the Underwriter in which the Underwriter is acting solely as a principal and are not acting as a municipal advisor, financial advisor or fiduciary to the Authority or the District; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Authority or the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether Underwriter has provided other services or is currently providing other services to the Authority or the District on other matters); (iii) the only obligations the Underwriter has to the Authority and the District with respect to the transaction contemplated hereby expressly are set forth in this Contract of Purchase; and (iv) the Authority and the District have consulted their own legal,

accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

*[Signature Page Follows]*

19. This Contract of Purchase when accepted by the Authority and the District in writing as heretofore specified shall constitute the entire agreement between the Authority, the District and the Underwriter and is made solely for the benefit of the Authority, the District and the Underwriter (including the successors or assigns of the Underwriter or any members of the syndicate, if any). No other person shall acquire or have any right hereunder or by virtue hereof.

Very truly yours,

FHN FINANCIAL CAPITAL MARKETS

By: \_\_\_\_\_  
Rene Moreno, Senior Vice President

Agreed and Accepted:

INDIAN WELLS VALLEY WATER DISTRICT

By: \_\_\_\_\_  
George Croll, General Manager

CALIFORNIA MUNICIPAL PUBLIC  
FINANCING AUTHORITY

By: \_\_\_\_\_  
Isaac Moreno, Chair

**SCHEDULE I**

\$ \_\_\_\_\_  
**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY**  
**INDIAN WELLS VALLEY WATER DISTRICT**  
**SERIES 2024 WATER REVENUE BONDS**  
**(WATER TRANSMISSION PIPELINE REPLACEMENT PROJECT)**

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

<sup>c</sup> Priced to first optional call at par on April 1, 20\_\_.

<sup>t</sup> Term Bond.

<sup>l\*</sup> All Maturities met the 10% Test]

## Redemption of the Bonds

***Optional Redemption of Bonds.*** The Bonds maturing on or before April 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after April 1, 20\_\_, are subject to redemption in whole or in part in integral multiples of \$5,000, by such maturities as are selected by the Authority (or, if the Authority fails to designate such maturities, then pro rata among maturities), and randomly within a maturity, from any source of available funds (including prepayments of Installment Payments made by the District pursuant to the Installment Sale Agreement), on any date on or after April 1, 20\_\_, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption.

***Mandatory Sinking Fund Redemption of Bonds.*** The Term Bonds maturing on April 1, 20\_\_ are subject to mandatory redemption from monies in the Sinking Account prior to their stated maturity date, at the principal amount thereof without premium on each April 1, on and after April 1, 20\_\_, in accordance with the terms of the Indenture, in the principal amounts set forth in the following schedule:

Sinking Payment Date (April 1)	Principal Amount to be Redeemed
--------------------------------------	------------------------------------

In the event that the Trustee shall redeem Term Bonds in part but not in whole pursuant to the Indenture, the amount of the Term Bonds to be redeemed in each subsequent year pursuant to this subsection shall be reduced in such order as shall be determined by the Authority or of the District (as agent of the Authority).

***Partial Redemption of Bonds.*** Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

**EXHIBIT A**

\$ \_\_\_\_\_

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
INDIAN WELLS VALLEY WATER DISTRICT  
SERIES 2024 WATER REVENUE BONDS  
(WATER TRANSMISSION PIPELINE REPLACEMENT PROJECT)**

**FORM OF ISSUE PRICE CERTIFICATE OF THE UNDERWRITER**

The undersigned, on behalf of FHN Financial Capital Markets (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

*Sale of the [Bonds][10% Maturities].* As of the date of this Certificate, for each Maturity of the [Bonds][10% Maturities], the first price at which a Substantial Amount of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

*Initial Offering Price of the [Bonds][Undersold Maturities].*

The Underwriter offered the [Bonds][Undersold Maturities] to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

As set forth in the Contract of Purchase, the Underwriter has agreed in writing that, for each Maturity of the [Bonds][Undersold Maturities], it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Offering Period for such Maturity, nor would it permit a related party to do so. Pursuant to such agreement, the Underwriter has neither offered nor sold any Maturity of the [Bonds][Undersold Maturities] at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Offering Period.

***Defined Terms.***

[(a) *10% Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the “10% Maturities.”]

(b) *Issuer* means the California Municipal Public Financing Authority.

(c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

[(d) *Offering Period* means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after

the Sale Date (\_\_\_\_\_, 2024), or (ii) the date on which the Underwriter has sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.]

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than a Regulatory Underwriter or a related party to a Regulatory Underwriter. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Regulatory Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_, 2024.

(h) *Substantial Amount* means ten percent.

[(i) *Undersold Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the “Undersold Maturities.”]

The undersigned understands that the foregoing information will be relied upon by the Issuer and the District with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by The Weist Law Firm, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer and the District from time to time relating to the Bonds.

FHN FINANCIAL CAPITAL MARKETS,  
as Underwriter

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

Name: \_\_\_\_\_

Dated: [ISSUE DATE]

**SCHEDULE A**

**Sale of the Bonds**

\$ \_\_\_\_\_

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY  
INDIAN WELLS VALLEY WATER DISTRICT  
SERIES 2024 WATER REVENUE BONDS  
(WATER TRANSMISSION PIPELINE REPLACEMENT PROJECT)**

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

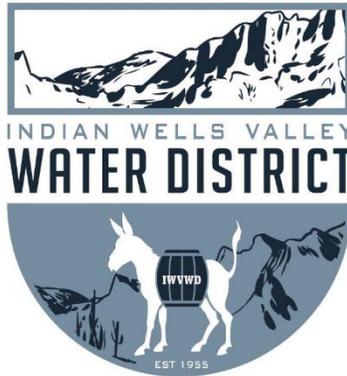
<sup>c</sup> Priced to first optional call at par on April 1, 20\_\_.

<sup>t</sup> Term Bond.

[\* All Maturities met the 10% Test]

## **SCHEDULE B**

Pricing Wire



The Mission of the

## **Indian Wells Valley Water District**

is to deliver the highest quality water at the best possible price while continuing to serve as respectful stewards of the environment.

The Vision of the

## **Indian Wells Valley Water District**

is to provide for self-sustaining water resources now and for generations to come.

**Board of Directors**