
INSTALLMENT SALE AGREEMENT

Dated as of December 1, 2018

between the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,
as Seller

and the

INDIAN WELLS VALLEY WATER DISTRICT,
as Purchaser

Relating to

\$ _____
Water Revenue Certificates of Participation, Series 2018

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INSTALLMENT SALE AGREEMENT

This INSTALLMENT SALE AGREEMENT (this "Agreement"), dated as of December 1, 2018, is between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), as seller, and the INDIAN WELLS VALLEY WATER DISTRICT, a water district duly organized and existing under the laws of the State of California (the "District"), as purchaser.

B A C K G R O U N D :

1. 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 "System").

2. In order to provide funds to finance and refinance improvements to the System, the District previously entered into an Installment Purchase Agreement, dated as of September 1, 2009, with the Corporation (the "2009 Agreement"), and, in connection therewith, caused to be executed and delivered the Indian Wells Valley Water District (Kern County, California) Water Revenue Certificates of Participation, Series 2009 in the initial principal amount of \$20,000,000 (the "2009 Certificates").

3. In order to provide funds to finance improvements to the System, the District previously entered into an Installment Purchase Agreement, dated as of April 1, 2016, with Mission Bank in the initial principal amount of \$8,000,000, as amended (the "2016 Agreement").

4. The District is proceeding to (a) finance the acquisition and construction of certain improvements to the System, and (b) refinance the improvements financed with the 2009 Agreement.

5. The Corporation has been formed for the purpose of providing financial assistance to local agencies in the State of California such as the District.

6. In order to finance and refinance the improvements to the System, which are more particularly described in Appendix A hereto (the "Project"), the Corporation has proposed to acquire and construct the Project and sell the completed Project to the District as provided in this Agreement.

7. Under this Agreement, the District agrees to pay semiannual installments of the purchase price of the Project (the "Installment Payments"), to be payable from and secured by a pledge of and lien on the System Net Revenues received by the District from the System, on a parity basis with payments due under the 2016 Agreement.

8. For the purpose of obtaining the moneys required to finance and refinance the Project in accordance with the terms of this Agreement, the Corporation, the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") have entered into a Trust Agreement dated as of December 1, 2018 (the "Trust Agreement"), under which the Corporation has assigned and transferred certain of its rights under this Agreement to the Trustee, and the Trustee has executed and delivered "Water Revenue Certificates of Participation, Series 2018" in the aggregate principal amount of \$_____ (the "Certificates"), evidencing direct, undivided fractional interests in the Installment Payments, the

proceeds of which will be applied to finance and refinance the Project as provided herein and in the Trust Agreement.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the District and the Corporation hereby agree as follows:

ARTICLE I

DEFINITIONS ; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms used in this Agreement have the respective meanings given them in Appendix A attached to the Trust Agreement.

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes 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 do 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 Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. *Representations, Covenants and Warranties of the District.* The District represents, covenants and warrants to the Corporation as follows:

(a) Due Organization and Existence. The District is a water district duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under said laws to enter into this Agreement and the Trust Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the Board of Directors of the District has duly authorized the execution and delivery of this Agreement and the Trust Agreement.

- (b) Due Execution. The representatives of the District executing this Agreement and the Trust Agreement are fully authorized to execute the same.
- (c) Valid, Binding and Enforceable Obligations. This Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District and constitute the legal, valid and binding agreements of the District enforceable against the District in accordance with their respective 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) No Conflicts. The execution and delivery of this Agreement and the Trust Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, 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 its properties 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 Agreement or the Trust Agreement or the financial condition, assets, properties or operations of the District, including but not limited to the performance of the District's obligations under this Agreement and the Trust Agreement.
- (e) Consents and Approvals. 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 Agreement or the Trust Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District 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 Agreement or the Trust Agreement, or upon the financial condition, assets, properties or operations of the District, 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 adversely affect the consummation of the transactions contemplated by this Agreement or the Trust Agreement, or the financial conditions, assets, properties or operations of the District, including but not limited to the payment and performance of the District's obligations under this Agreement and the Trust Agreement.

- (g) No Prior Indebtedness. The District has not issued or incurred any obligations having a priority over the pledge of the System Net Revenues to the Installment Payments under this Agreement. Except for the 2009 Agreement, which is being refunded by the 2018 Certificates and the 2016 Agreement, which has a pledge of System 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 System Net Revenues to the Installment Payments under this Agreement.

SECTION 2.2. *Representations, Covenants and Warranties of the Corporation.* The Corporation represents, covenants and warrants to the District as follows:

- (a) Due Organization and Existence. The Corporation is a nonprofit public benefit corporation organized and existing under the laws of the State of California, and has power to enter into this Agreement and the Trust Agreement and to perform the duties and obligations imposed on it hereunder and thereunder. The Board of Directors of the Corporation has duly authorized the execution and delivery of this Agreement and the Trust Agreement.
- (b) Due Execution. The representatives of the Corporation executing this Agreement and the Trust Agreement are fully authorized to execute the same.
- (c) Valid, Binding and Enforceable Obligations. This Agreement and the Trust Agreement have been duly authorized, executed and delivered by the Corporation and constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective 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) No Conflicts. The execution and delivery hereof and of the Trust Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, 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 Corporation is a party or by which it or its properties 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 Corporation, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated hereby or by the Trust Agreement or the financial condition, assets, properties or operations of the Corporation, including but not limited to the performance of the Corporation's obligations under this Agreement and the Trust Agreement.

- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Corporation, 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 hereof or of the Trust Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or the Trust Agreement, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation 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 adversely affect the consummation of the transactions contemplated by this Agreement or the Trust Agreement or the financial conditions, assets, properties or operations of the Corporation, including but not limited to the performance of the Corporation's obligations hereunder and under the Trust Agreement.

ARTICLE III

ISSUANCE OF CERTIFICATES; APPLICATION OF PROCEEDS; ACQUISITION AND CONSTRUCTION OF PROJECTS

SECTION 3.1. *The Certificates*. The Corporation shall cause the Certificates to be executed and delivered under the Trust Agreement in the aggregate principal amount of \$_____. The District hereby approves the Trust Agreement, the assignment thereunder to the Trustee of certain rights of the Corporation, and the execution and delivery of the Certificates.

SECTION 3.2. *Deposit and Application of Funds*. The Trustee shall deposit the proceeds received by it from the sale of the Certificates to the Original Purchaser in the respective funds and accounts, and in the respective amounts, as set forth in Section 3.01 of the Trust Agreement.

SECTION 3.3. *Refunding of 2009 Agreement.* The Corporation hereby agrees to advance funds in an amount required to prepay and discharge the 2009 Agreement and the 2009 Certificates in accordance with their terms. As provided in the Trust Agreement, the Trustee shall transfer a portion of the proceeds of the Certificates to The Bank of New York Mellon Trust Company, N.A., as trustee for the 2009 Certificates, to be held and administered for that purpose under and in accordance with the Refunding Instructions in order to prepay, in full, the 2009 Agreement and the 2009 Certificates.

SECTION 3.4. *Acquisition and Construction of the Project.* The Corporation hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided for, the Acquisition and Construction of the new improvements that form a part of the Project in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District. All contracts for, and all work relating to, the Acquisition and Construction of the new improvements that form a part of the Project are subject to all applicable provisions of law relating to the acquisition and construction of public works by the District. The Corporation expects that the Acquisition and Construction of the Project will be completed on or before [[June 30, 2020]]. If the Corporation fails to complete the Project by that date, such failure will not constitute an Event of Default hereunder or a grounds for termination hereof, nor shall will failure result in the diminution, abatement or extinguishment of the obligations of the District hereunder to pay the Installment Payments when due hereunder.

SECTION 3.5. *Appointment of District as Agent.* The Corporation hereby appoints the District as its agent to carry out all phases of the Acquisition and Construction of the new improvements that form a part of the Project under and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Corporation regarding the Acquisition and Construction of the new improvements that form a part of the Project. The District, as agent of the Corporation hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the new improvements that form a part of the Project. The District shall pay the Project Costs from amounts held by it in the accounts within the Construction Fund in accordance with the provisions of this Agreement and the provisions of the Trust Agreement.

SECTION 3.6. *Plans and Specifications.* The District has the right to specify the exact scope, nature and identification of the Project and the respective components thereof. Before any payment is made for the Project or any component thereof from amounts on deposit in the accounts within the Construction Fund, the District must prepare detailed plans and specifications relating thereto. The District may from time to time amend any such plans and specifications, and may thereby change or modify the description of the Project or any component thereof.

SECTION 3.7. *Certificate of Project Completion.* 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, a District Representative shall execute and deliver to the Corporation and the Trustee a written certificate of the District Representative 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 Construction Fund for payment of future Project Costs.

ARTICLE IV

SALE OF PROJECT; INSTALLMENT PAYMENTS

SECTION 4.1. *Sale.* The Corporation hereby sells the Project to the District, and the District hereby purchases the Project from the Corporation, upon the terms and conditions set forth in this Agreement.

SECTION 4.2. *Term.* The Term of this Agreement commences on the Closing Date, and ends on April 1, [20__], or such later or earlier date on which the Certificates cease to be Outstanding under and within the meaning of the Trust Agreement.

SECTION 4.3. *Title.* Title to the Project, and each component thereof, shall be deemed conveyed to and vested in the District immediately following the completion of the Project as evidenced in accordance with Section 3.7. The Corporation 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 of New Improvements. The District hereby agrees to pay to the Corporation, as the purchase price of the new improvements that form a part of the Project, the aggregate principal amount of \$_____ 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 semiannual Installment Payments in the respective amounts and on the respective Interest Payment Dates specified in Appendix B hereto.

(b) Purchase Price of Refinanced Improvements. The District hereby agrees to pay to the Corporation, as the purchase price of the refinanced improvements that form a part of the Project, the aggregate principal amount of \$_____ 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 semiannual Installment Payments in the respective amounts and on the respective Interest Payment Dates specified in Appendix C hereto.

(c) [Reserved]

(d) Payment Provisions. The District shall deposit the Installment Payments with the Trustee, as assignee of the Corporation under the Trust Agreement, on the Installment Payment Date preceding each Interest Payment Date, in an amount which, together with amounts then held by the Trustee in the Installment Payment Fund, is equal to the full amount of the Installment Payment coming due and payable on that Interest Payment Date. The Installment Payments will be secured by and payable solely from the sources specified in Section 4.5.

(e) Effect of Prepayment. If the District prepays all remaining Installment Payments in full under Sections 7.2 or 7.3, the District's obligations under this Agreement shall thereupon cease and terminate, including but not limited to the District's obligation to pay Installment Payments under this Section 4.4; except that that the District's obligations to compensate and indemnify the Trustee under Sections 4.7 and 5.2 shall survive such prepayment. If the District prepays the Installment Payments in part but not in whole under Sections 7.2 or 7.3, the

principal component of each succeeding Installment Payment will be reduced as provided in such Sections, and the interest component of each remaining Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates thereby prepaid under the applicable provisions of Section 4.01 of the Trust Agreement.

(f) Rate on Overdue Payments. If the District fails to make any of the payments required in this Section 4.4 or Section 4.7, the payment in default shall continue as an obligation of the District until the amount in default has 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.

(g) Assignment. The District understands and agrees that certain rights of the Corporation, including but not limited to the right of the Corporation to receive payment of the Installment Payments, have been assigned by the Corporation to the Trustee in trust under the Trust Agreement, for the benefit of the Owners of the Certificates, and the District hereby consents to such assignment. The Corporation hereby directs the District, and the District hereby agrees, to pay to the Trustee at its Trust Office, all payments payable by the District under this Section 4.4 and all amounts payable by the District under Article VII.

SECTION 4.5. *Pledge and Application of System Net Revenues.*

(a) Pledge and Assignment of System Net Revenues. All of the System Net Revenues, and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Trust Agreement, are hereby irrevocably pledged to the punctual payment of the Installment Payments. Such pledge constitutes a lien on and security interest in the System Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof. Such pledge and lien on, and security interest in, the System Net Revenues shall be on a parity with the pledge, lien and security interest which secures any Parity Obligations.

(b) Deposit to System Fund; Transfers to Make Payments. The District has heretofore established the System Fund, which the District agrees to continue to hold and maintain for the purposes and uses set forth herein. The District shall deposit all of the System Revenues in the System Fund immediately upon receipt. In addition to the transfers required to be made under the documents authorizing the issuance of any Parity Obligations, the District shall withdraw amounts on deposit in the System Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

- (i) Deposit and Application of System Net Revenues. On or before each Installment Payment Date, the District shall withdraw from the System Fund and transfer to the Trustee for deposit in the Installment Payment Fund an amount of System Net Revenues which, together with the balance then on deposit in the Installment Payment Fund, is equal to the aggregate amount of the Installment Payment coming due and payable on the next succeeding Interest Payment Date.
- (ii) No Preference or Priority. The District shall pay the Installment Payments and the principal of and interest on any Parity Obligations from System Net Revenues without preference or priority among the Installment Payments and Parity Obligations. If the amount of System Net Revenues on deposit

in the System Fund is any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on the Parity Obligations, such payments shall be made on a pro rata basis.

- (iii) Other Uses of System Net Revenues Permitted. The District shall manage, conserve and apply moneys in the System Fund in such a manner that all deposits required to be made under this Section and the documents authorizing the issuance of any Parity Obligations will be made at the times and in the amounts so required. Subject to the foregoing sentence, the District may at any time and from time to time use and apply moneys in the System Fund for (i) the acquisition and construction of improvements to the System, (ii) the prepayment of the Installment Payments, (iii) the payment of any amounts due and owing to the United States of America in accordance with Section 9.04(d) of the Trust Agreement, or (iv) any other lawful purpose of the District.

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

The obligations of the District to make the Installment Payments from the System Net Revenues and to perform and observe the other agreements contained herein are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Corporation or the Trustee of any obligation to the District or otherwise with respect to the System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation or the Trustee. Until such time as all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder 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 Agreement, and (c) will not terminate this 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 System, sale of the System, the taking by eminent domain of title to or temporary use of any component of the System, commercial frustration of purpose, any change in the laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Corporation 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 Trust Agreement or this Agreement.

Nothing contained in this Section 4.6 shall release the Corporation from the performance of any of its agreements contained herein or in the Trust Agreement. If the Corporation fails to perform any such agreements, the District may institute such action against the Corporation as the District deems 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 Corporation 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 Corporation will cooperate fully with the District and take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District shall so request.

SECTION 4.7. *Additional Payments.* In addition to the Installment Payments, the District shall pay when due the following amounts to the following parties:

- (a) to the Corporation, all costs and expenses incurred by the Corporation to comply with the provisions of this Agreement and the Trust Agreement; and
- (b) to the Trustee upon request therefor, all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Trust Agreement or any related documents;
- (c) to the Corporation and the Trustee, all amounts required to indemnify the Corporation and the Trustee under Section 5.2 hereof and under Section 10.03 of the Trust Agreement; and
- (d) all costs and expenses of auditors, engineers and accountants.

Subject to the provisions of Section 7.03 of the Trust Agreement, the Additional Payments shall be payable from, but are not secured by a pledge or lien upon, the System Net Revenues. The rights of the Trustee and the Corporation under this Section 4.7, and the obligations of the District under this Section 4.7, shall survive the termination of this Agreement.

SECTION 4.8. *Rate Stabilization Fund.* The District may, during or within 210 days after a Fiscal Year, deposit surplus System Net Revenues attributable to such Fiscal Year (on the basis of Generally Accepted Accounting Principles) into a rate stabilization fund or account ("Rate Stabilization Fund"). The District may at any time withdraw moneys from the Rate Stabilization Fund. System Net Revenues deposited into the Rate Stabilization Fund shall not be taken into account as System Net Revenues for purposes of the calculations required by the covenants in this Agreement relating to System 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 System Revenues for purposes of the calculations required by such covenants in such Fiscal Year; provided, that for purposes of the System Net Revenues coverage calculation required under this Agreement, the amount of System Net Revenues before any credits for withdrawals from the Rate Stabilization Fund may not be less than 100% of Maximum Annual Debt Service for outstanding Parity Obligations and the proposed additional Parity Obligations.

ARTICLE V

FINANCIAL COVENANTS

SECTION 5.1. *Disclaimer of Warranties.* The Corporation 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 Project or any component thereof, or any other representation or warranty with respect to any of the Project or any component thereof. In no event shall the Corporation be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Agreement or the Trust Agreement for the existence, furnishing, functioning or use of the Project.

SECTION 5.2. *Release and Indemnification Covenants.* The District shall indemnify the Corporation and the Trustee, and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on or about the System by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under this Agreement or the Trust Agreement, (c) any act or omission of the District or of any of its agents, contractors, servants, employees or licensees with respect to the System, or (d) any act or omission of any lessee of the District with respect to the System. No indemnification is made under this Section 5.2 or elsewhere in this Agreement for willful misconduct or negligence under this Agreement by the Corporation or the Trustee, or their respective officers, agents, employees, successors or assigns. The provisions of this Section 5.2 shall survive the expiration of the Term of this Agreement.

SECTION 5.3. *Sale or Eminent Domain of System.* Except as provided herein, the District covenants that the System 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 Agreement. The District shall not enter into any agreement which impairs the operation of the System or any part of it necessary to secure adequate System Net Revenues to pay the Installment Payments or any Parity Obligations, or which otherwise would impair the rights of the Certificate Owners with respect to the System Net Revenues. If any substantial part of the System is sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied on a pro rata basis to prepay or redeem any Parity Obligations, on a pro rata basis.

Any amounts received as awards as a result of the taking of all or any part of the System 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 System, or (b) be applied to prepay or redeem the Installment Payments and/or any Parity Obligations, as determined by the District.

SECTION 5.4. *Insurance.* The District shall at all times maintain with responsible insurers all such insurance on the System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the System. If any useful part of the System is damaged or destroyed, the District shall restore such part to usable condition. The District shall apply amounts collected from insurance against accident to or destruction of any portion of the System to repair or rebuild such damaged or destroyed portion

of the System, and to the extent not so applied, to prepay or redeem the Installment Payments and/or any Parity Obligations, as determined by the District. The District shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Trustee and the Owners of the Certificates.

SECTION 5.5. *Records and Accounts.* The District it shall keep proper books of record and accounts of the System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the System. Said books shall, upon reasonable request, be subject to the inspection of the Owners of not less than 10% of the Outstanding Certificates or their representatives authorized in writing.

The District will cause the books and accounts of the System to be audited annually, not later than 180 days after the close of each Fiscal Year by an Independent Accountant. The District will make a copy of such report available to the Certificate Owners upon reasonable request.

SECTION 5.6. *Rates and Charges.*

(a) System Revenue Covenant. The District agrees, at all times while any of the Installment Payments remain unpaid, to the maximum extent permitted by law, to fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Net Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year:

- (i) All current Operation and Maintenance Costs.
- (ii) The Installment Payments and the payments for the other Parity Obligations and the payment of the Subordinate Obligations as they become due and payable.
- (iii) All payments required for compliance with the terms of this Agreement.
- (iv) All payments to meet any other obligations of the District which are charges, liens or encumbrances upon, or payable from, the System Net Revenues.

(b) System Net Revenues Covenant. In addition to the foregoing requirements, the District agrees, at all times while any of the Installment Payments remain unpaid, to the maximum extent permitted by law, to fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Net Revenues during such Fiscal Year equal to at least 120% of the Annual Debt Service in such Fiscal Year; provided, an adjustment will be made to the amount of System Net Revenues for deposits to or withdrawals from the Rate Stabilization Fund.

SECTION 5.7. *Superior and Subordinate Obligations.* The District shall not issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the System Revenues, or the System Net Revenues over the Installment Payments. Nothing herein is intended or may be construed to limit or affect the ability of the District to issue or incur (a) Parity Obligations in accordance with Section 5.8, or (b) Subordinate Obligations.

SECTION 5.8. *Issuance of Parity Obligations.* The District may issue or incur other bonds, notes, loans, advances or indebtedness payable from System Net Revenues on a parity with the Installment Payments to provide financing for the System 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:

- (a) No Event of Default has occurred and is continuing.
- (b) System 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 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 Obligations then outstanding (including the Parity Obligations then proposed to be issued).

SECTION 5.9. *Operation of System in Efficient and Economical Manner.* The District covenants and agrees to operate the System in an efficient and economical manner and to operate, maintain and preserve the System in good repair and working order.

SECTION 5.10. *Compliance with Parity Obligations.* The District shall observe and perform all of the obligations imposed on it under any agreement or instrument 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 the documents relating to any Parity Obligation, or any action which, if not cured, with the passage of time would constitute an event of default under and as defined in the documents relating to any Parity Obligation.

SECTION 5.11. *Assignment and Amendment Hereof.* This Agreement may not be assigned by the District in whole or in part. This Agreement may be amended by the District and the Corporation, but only (a) for the purpose of providing for the issuance of Parity Obligations under Section 5.8, or (b) otherwise under the circumstances and to the extent permitted under Sections 8.01 or 8.02 of the Trust Agreement.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.1. *Events of Default Defined.* The following events constitute Events of Default hereunder:

- (a) Failure by the District to pay any Installment Payment when 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 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 60 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation or the Trustee; *provided, however*, that if the District notifies the Corporation 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 will not constitute an Event of Default if the District commences to cure such failure within such 60-day period and thereafter diligently and in good faith cures 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 of any event which constitutes a default under the documents authorizing the issuance or incurrence of any Parity Obligations.

SECTION 6.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Trustee as assignee of the Corporation has the right, at its option and without any further demand or notice, to take any one or more of the following actions:

- (a) Acceleration. 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 (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 6.6, the Trustee is required to exercise the remedies provided herein in accordance with the Trust Agreement.

- (b) Action at Law or in Equity. 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 Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Agreement.
- (c) Appointment of Receiver. 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 Certificate Owners hereunder, cause the appointment of a receiver or receivers of the System Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

SECTION 6.3. *No Remedy Exclusive*. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under this 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 Corporation to exercise any remedy reserved to it in this Article VI, it is not necessary to give any notice, other than such notice as may be required in this Article VI or by law.

SECTION 6.4. *Agreement to Pay Attorneys' Fees and Expenses*. If either party to this Agreement defaults under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Certificates employs attorneys or incurs 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. The provisions of this Section 6.4 shall survive the expiration of the Term of this Agreement.

SECTION 6.5. *No Additional Waiver Implied by One Waiver*. If the District or the Trustee breaches any agreement contained in this Agreement and thereafter the other party waives the breach, the waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 6.6. *Trustee and Certificate Owners to Exercise Rights*. Such rights and remedies as are given to the Corporation under this Article VI have been assigned by the Corporation to the Trustee under the Trust Agreement, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement.

ARTICLE VII
PREPAYMENT OF INSTALLMENT PAYMENTS

SECTION 7.1. *Security Deposit.* Notwithstanding any other provision of this 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 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 System Net Revenues, and all other security provided by this 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 7.2. *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 Certificates pursuant to Section 4.01(a) of the Trust Agreement. Such prepayment price shall be deposited by the Trustee in the Installment Payment Fund to be applied to the prepayment of Certificates pursuant to Section 4.01(a) of the Trust Agreement. 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 7.3. *Credit for Amounts on Deposit.* In the event of prepayment of the Installment Payments in full under Section 7.2, such that the Trust Agreement is 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 Trust Agreement shall be credited towards the amounts then required to be so prepaid.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.1. *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 Corporation or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

SECTION 8.2. *Notices.* Any notice, request, complaint, demand or other communication under this Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by fax or other form of telecommunication, (b) upon actual receipt after deposit in the United States of America mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Corporation, 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 District: Indian Wells Valley Water District
500 W. Ridgecrest Boulevard
P.O. Box 1329
Ridgecrest, California 93556-1329
Attention: Chief Financial Officer
Fax: (760) 375-3969

If to the Corporation: Public Property Financing Corporation of California
2945 Townsgate Road, Suite 200
Westlake Village, CA 91361
Attention: President
Fax: (805) 230-2224

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust Services
Fax: _____

SECTION 8.3. *Governing Law.* This Agreement shall be construed in accordance with and governed by the laws of the State of California.

SECTION 8.4. *Binding Effect.* This Agreement inures to the benefit of and shall be binding upon the Corporation, the District and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 8.5. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Agreement are for any reason 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 Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Corporation and the District each hereby declares that it would have entered into this 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 Agreement may be held illegal, invalid or unenforceable.

SECTION 8.6. *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 Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this 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 8.7. *Payment on Non-Business Days.* Whenever any payment is required to be made by the District hereunder on a day which is not a Business Day, such payment shall be made on the immediate preceding Business Day.

SECTION 8.8. *Execution of Counterparts.* This 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 8.9. *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 Agreement; but nothing herein contained shall relieve any such member of the Board of Directors, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

SECTION 8.10. *Trustee as Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary hereof and shall be entitled to the benefits of this Agreement with the same force and effect as if the Trustee were a party hereto.

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

**PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA, as Seller**

By _____
President

ATTEST:

By _____
Secretary

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

By _____
General Manager

ATTEST:

By _____
Secretary

APPENDIX A

DESCRIPTION OF THE PROJECT

The Project consist of the following facilities, equipment and other properties:

New Improvements

- Well No. 35 (WSIP Phase I)
- SCADA Upgrade
- Greenlawn Mainline Replacement
- Rancho Mainline Replacement
- Forest Knoll Replacement
- Springside Mainline Replacement
- Primrose Mainline Replacement
- Orchard Mainline Replacement
- East Bowman A-Zone Reservoir #1
- Transmission Line Extension Bowman Rd to A-Zone Reservoir
- Springer to Gateway Tank
- Street Infrastructure Replacement Project
- AMI Pilot
- New Infrastructure, Back Parking Lot and North Wall

Refinanced Improvements

- Arsenic treatment facilities and improvements to expand the District's existing water system to create operating redundancy and enhance fire flow.
- The arsenic treatment project includes construction of two arsenic treatment facilities with related pipelines for water mixing and distribution to comply with Federal and State arsenic standards.
- The water supply improvements include upgrading two of the existing well pumps, building two new wells with related pipelines and monitoring wells, and constructing [[two]] new reservoirs with related pipelines.

APPENDIX B

SCHEDULE OF INSTALLMENT PAYMENTS RELATING TO NEW IMPROVEMENTS

<u>Installment Payment Date⁽¹⁾</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Payment</u>
---	--------------------------------	-------------------------------	--------------------------

TOTALS:

(1) Installment Payment Dates are the 3rd Business Day immediately preceding each Interest Payment Date shown in the table.

APPENDIX C

SCHEDULE OF INSTALLMENT PAYMENTS RELATING TO REFINANCED IMPROVEMENTS

<u>Installment Payment Date⁽¹⁾</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Payment</u>
---	--------------------------------	-------------------------------	--------------------------

TOTALS:

(1) Installment Payment Dates are the 3rd Business Day immediately preceding each Interest Payment Date shown in the table.

TRUST AGREEMENT

Dated as of December 1, 2018

among

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

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,

and

INDIAN WELLS VALLEY WATER DISTRICT

Relating to

\$ _____
Water Revenue Certificates of Participation, Series 2018

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TRUST AGREEMENT

This TRUST AGREEMENT (this "Trust Agreement"), dated as of December 1, 2018, is among 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, as trustee (the "Trustee"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), and the INDIAN WELLS VALLEY WATER DISTRICT, a County water district duly organized and existing under and by virtue of the laws of the State of California (the "District").

B A C K G R O U N D :

1. 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 "System").

2. In order to provide funds to finance and refinance improvements to the System, the District previously entered into an Installment Purchase Agreement, dated as of September 1, 2009, with the Corporation in the initial principal amount of \$20,000,000 (the "2009 Agreement"), and, in connection therewith, caused to be executed and delivered the Indian Wells Valley Water District (Kern County, California) Water Revenue Certificates of Participation, Series 2009 (the "2009 Certificates").

3. In order to provide funds to finance improvements to the System, the District previously entered into an Installment Purchase Agreement, dated as of April 1, 2016, with Mission Bank in the initial principal amount of \$8,000,000 (the "2016 Agreement").

4. The District is proceeding to (a) finance the acquisition and construction of certain improvements to the System, and (b) refinance the improvements financed with the 2009 Agreement.

5. The Corporation has been formed for the purpose of providing financial assistance to local agencies in the State of California such as the District.

6. In order to finance and refinance the improvements to the System, which are more particularly described in Appendix A to the Installment Sale Agreement (the "Project"), the Corporation has proposed to acquire and construct the Project and sell the completed Project to the District as provided therein.

7. Under the Installment Sale Agreement, the District has agreed to pay installments of the purchase price of such improvements in semiannual installments (the "Installment Payments"), to be payable from and secured by a pledge of and lien on the System Net Revenues received by the District from the System, on a parity basis with payments due under the 2016 Agreement.

8. For the purpose of obtaining the moneys required to provide financing to the District in accordance with the terms of the Installment Sale Agreement, the Corporation, the District and the Trustee have agreed to enter into this Trust Agreement under which the Corporation assigns and transfers certain of its rights under the Installment Sale

Agreement to the Trustee, and the Trustee agrees to execute and deliver "Water Revenue Certificates of Participation, Series 2018" in the aggregate principal amount of \$_____ (the "Certificates"), evidencing direct, undivided fractional interests in the Installment Payments, the proceeds of which will be applied to finance the Project as provided herein and in the Installment Sale Agreement.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the District, the Corporation and the Trustee hereby agree as follows:

ARTICLE I

DEFINITIONS ; RULES OF INTERPRETATION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms used in this Trust Agreement have the respective meanings given them in Appendix A attached to this Trust Agreement.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes 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 do 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 Trust Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE CERTIFICATES OF PARTICIPATION

SECTION 2.01. *Authorization.* The Trustee is hereby authorized and directed upon written request from the Corporation to register, execute and deliver, to the Original

Purchaser, Certificates in an aggregate principal amount of \$_____, which constitute certificates of participation representing the direct, undivided fractional ownership interests of the Owners thereof in the Installment Payments.

SECTION 2.02. *Date.* Each Certificate shall be dated as of the Closing Date, and interest represented thereby is payable from the Interest Payment Date next preceding the date of execution thereof, unless:

- (a) it is executed after a Record Date and on or before the following Interest Payment Date, in which event interest represented thereby is payable from such Interest Payment Date; or
- (b) it is executed on or before the first Record Date, in which event interest represented thereby shall be payable from the Closing Date; or
- (c) interest represented by such Certificate is in default as of the date of execution of such Certificate, in which event interest represented thereby is payable from the Interest Payment Date to which interest represented thereby has previously been paid or made available for payment.

SECTION 2.03. *Terms of Certificates.* Principal represented by the Certificates is payable on April 1 in each of the respective years and in the respective amounts, and interest represented thereby is computed at the respective rates, as follows:

<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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SECTION 2.04. *Fully Registered Form; Interest.* The Certificates will be delivered in the form of fully registered Certificates without coupons in the authorized denominations of \$5,000 or any integral multiple thereof, except that no Certificate shall represent principal payable in more than one year. The Certificates will be assigned such alphabetical and numerical designation as the Trustee deems appropriate.

Interest represented by the Certificates is payable on each Interest Payment Date to and including the date of maturity or prepayment, whichever is earlier, as provided in Section 2.09. Said interest represents the portion of the Installment Payments designated as interest and coming due on each of the respective Interest Payment Dates. The share of the portion of Installment Payments designated as

interest with respect to any Certificate is computed by multiplying the portion of Installment Payments designated as principal represented by such Certificate by the rate of interest represented by such Certificate (on the basis of a 360-day year of twelve 30-day months).

SECTION 2.05. *Book Entry System.*

(a) Original Delivery. The Certificates shall be initially delivered in the form of a separate single fully registered Certificate (which may be typewritten) for each maturity of the Certificates. Upon initial delivery, the ownership of each such Certificate shall be registered on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Certificates shall be registered in the name of the Nominee on the Registration Books.

With respect to Certificates the ownership of which is registered in the name of the Nominee, the District and the Trustee have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the District holds an interest in the Certificates. Without limiting the generality of the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Registration Books, of any notice with respect to the Certificates, including any notice of prepayment, (iii) the selection by the Depository of the beneficial interests in the Certificates to be redeemed in the event the District elects to redeem the Certificates in part, (iv) the payment to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest represented by the Certificates or (v) any consent given or other action taken by the Depository as Owner of the Certificates. The District and the Trustee may treat and consider the person in whose name each Certificate is registered as the absolute owner of such Certificate for the purpose of payment of principal, premium, if any, and interest represented by such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers of ownership of such Certificate, and for all other purposes whatsoever. The Trustee shall pay the principal, interest and premium, if any, represented by the Certificates only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal, interest and premium, if any, represented by the Certificates to the extent of the sum or sums so paid. No person other than a Certificate Owner shall receive a Certificate evidencing the obligation of the District to make payments of principal, interest and premium, if any, under this Trust Agreement. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the District shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Certificates for the Depository's book-entry system, the District and the Trustee shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Certificates. The execution and delivery of such letter in no way limits the

provisions of subsection (a) above or otherwise imposes upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Certificates other than the Certificate Owners. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Trust Agreement, to qualify the Certificates for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Certificates, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the execution and delivery of replacement Certificates by providing the Trustee with a list showing the interests of the Depository System Participants in the Certificates, and by surrendering the Certificates, registered in the name of the Nominee, to the Trustee on or before the date such replacement Certificates are to be executed and delivered. The Depository, by accepting delivery of the Certificates, agrees to be bound by the provisions of this subsection (c).

If, prior to the termination of the Depository acting as such, the District fails to identify another Securities Depository to replace the Depository, then the Certificates shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Certificates shall designate, in accordance with the provisions hereof.

If the District determines that it is in the best interests of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the District may notify the Depository System Participants of the availability of such certificated Certificates through the Depository. In such event, the Trustee will execute, transfer and exchange Certificates as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the District shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Certificates to any Depository System Participant having Certificates credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Certificates, all at the District's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal, interest and premium, if any, represented by such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.06. *Form and Execution of Certificates.* The Certificates shall be substantially in the form set forth in Appendix B attached hereto and by this reference incorporated herein. An authorized signatory of the Trustee shall execute the Certificates in the name and on behalf of the Trustee. If any person whose signature appears on any Certificate ceases to be an authorized signatory before the date of delivery of said Certificate, such signature shall nevertheless be as effective as if such person had remained an authorized signatory until such date.

SECTION 2.07. *Transfer and Exchange.*

(a) Transfer of Certificates. The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of such Certificate for cancellation at the Corporate Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates representing the same maturity, interest rate and aggregate principal amount, in any authorized denominations. The District shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Certificate Owner of any tax or other governmental charge required to be paid with respect to such transfer.

(b) Exchange of Certificates. Certificates may be exchanged at the Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates representing other authorized denominations of the same interest rate and maturity. The District shall pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

(c) Limitations on Transfer or Exchange. The Trustee may refuse to transfer or exchange either (i) any Certificate during the period established by the Trustee for the selection of Certificates for prepayment, or (ii) the portion of any Certificate which the Trustee has selected for prepayment under the provisions of Section 4.02.

SECTION 2.08. *Certificates Mutilated, Lost, Destroyed or Stolen.* If any Certificate is mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity in replacement for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be cancelled by it and destroyed by the Trustee, who shall, upon request of the District, deliver a certificate of destruction to the District. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft must be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and the District and, if an indemnity satisfactory to the Trustee and the District shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity and numbered as the Trustee shall determine in lieu of and in replacement for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each replacement Certificate delivered under this Section 2.08 and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.08. Any Certificate executed and delivered under the provisions of this Section 2.08 in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement.

The Trustee is not required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for

the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same.

Notwithstanding any other provision of this Section 2.08, in lieu of delivering a replacement for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trustee and the District.

SECTION 2.09. *Payment.* Payment of interest represented by any Certificate on any Interest Payment Date shall be made to the person appearing on the Registration Books as the Owner thereof as of the close of business on the Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed to such Owner, by first class mail postage prepaid, at such Owner's address as it appears on the Registration Books; *provided, however,* that at the written request of the Owner of Certificates in an aggregate principal amount of at least \$1,000,000, which written request shall be on file with the Trustee as of the Record Date preceding any Interest Payment Date, interest represented by such Certificates coming due and payable on such Interest Payment Date shall be paid by wire transfer in immediately available funds to such account in the United States as shall be specified in such written request. The principal and prepayment price represented by any Certificate at maturity or upon prior prepayment shall be payable in lawful money of the United States of America upon surrender of such Certificate at the Corporate Trust Office of the Trustee.

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 Trust Agreement to be signed or executed by Certificate Owners 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 Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (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 Certificates by any person and the amount, the maturity and the numbers of such Certificates 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 Certificate binds every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee under such request or consent.

SECTION 2.11. *Registration Books.* The Trustee shall keep or cause to be kept sufficient records for the registration and registration of transfer of the Certificates, which shall at all reasonable times upon prior notice be open to inspection by the District and the Corporation during regular business hours; 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 the Registration Books, Certificates as hereinbefore provided.

ARTICLE III

DISPOSITION OF PROCEEDS; COSTS OF ISSUANCE FUND; CONSTRUCTION FUND

SECTION 3.01. *Application of Proceeds.* At the direction of the District which is hereby given to the Trustee, the proceeds received from the sale of the Certificates to the Original Purchaser shall be set aside by the Trustee on the Closing Date in the following respective funds and accounts and/or transferred as follows:

- (a) The Trustee shall transfer to the 2009 Trustee the amount of \$_____ for the purpose of prepaying, in full, the 2009 Agreement and 2009 Certificates pursuant to the Refunding Instructions.
- (b) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Fund.
- (c) The Trustee shall transfer the amount of \$_____, constituting the remainder of such proceeds, to the District for deposit in the Construction Fund.

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 Certificates, which the Trustee shall promptly close following the foregoing transfers.

SECTION 3.02. *Costs of Issuance Fund.* The Trustee shall establish and maintain a special fund designated as the "Costs of Issuance Fund" to be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates, and applied solely as provided herein.

The Trustee shall disburse moneys in the Costs of Issuance Fund to pay the Costs of Issuance from time to time upon the receipt of written requisitions of the District setting forth the amounts to be disbursed for payment or reimbursement of Costs of Issuance and the name and address of the person or persons to whom said amounts are to be disbursed, stating that all amounts to be disbursed are for Costs of Issuance

properly chargeable to the Costs of Issuance Fund. The Trustee shall withdraw any amounts remaining in the Costs of Issuance Fund on _____, 2019, and transfer such amounts to the District for deposit in the Construction Fund, and the Trustee shall thereupon close the Costs of Issuance Fund.

SECTION 3.03. *Construction Fund.* The District shall establish and maintain a special fund designated as the "Construction Fund" to be held by the District and applied solely as provided herein. The District shall deposit a portion of the proceeds of the Certificates in the Construction Fund as provided in Section 3.01(c), any amounts transferred to the District for that purpose from the Costs of Issuance Fund under Section 3.02, and all earnings received from the investment of amounts in the Construction Fund.

The District shall disburse amounts in the Construction Fund from time to time to pay Project Costs, upon preparation of a sequentially numbered requisition requesting disbursement executed by a District Representative. Each such requisition must:

- (i) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Project Costs and the person or persons to whom said amounts are to be disbursed;
- (ii) state that the amounts to be disbursed constitute Project Costs, that said amounts are required to be disbursed under a contract entered into therefor by or on behalf of the Corporation or the District, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment; and
- (iii) state that no amount set forth in the requisition was included in any requisition requesting disbursement previously executed under this Section 3.03.

All unexpended moneys remaining in the Construction Fund and not identified in writing by a District Representative to be required for payment of Project Costs shall, on the date of completion of the Project, be transferred to the Trustee for deposit into the Installment Payment Fund and applied to pay the Installment Payments as the same come due and payable.

ARTICLE IV

PREPAYMENT OF CERTIFICATES

SECTION 4.01. *Prepayment of the Certificates*

(a) *Optional Prepayment.* The Certificates maturing on or before April 1, 20__, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after April 1, 20__, are subject to optional prepayment in whole on any date on or after April 1, 20__, or in part, from prepayments of the Installment Payments made at the option of the District under Section 7.2 of the

Installment Sale Agreement, at a prepayment price (expressed as percentages of the principal amount of Certificates or portions thereof to be prepaid) set forth in the following table, in each case with accrued interest represented thereby to the prepayment date:

<u>Prepayment Dates</u>	<u>Prepayment Price</u>
April 1, 20__ through March 31, 20__	103%
April 1, 20__ through March 31, 20__	102%
April 1, 20__ through March 31, 20__	101%
April 1, 20__ and any date thereafter	100%

If the Certificates are prepaid in part but not in whole, the Certificates shall be selected for prepayment among maturities on such basis as the District designates in written notice to the Trustee, and by lot within a maturity.

(b) *Mandatory Sinking-Fund Redemption.* The Certificates maturing on April 1, 20__ and April 1, 20__ are also subject to mandatory sinking fund redemption on April 1 in each year on or after April 1, 20__ and April 1, 20__, respectively, by lot, in integral multiples of \$5,000, at a redemption price equal to the principal amount thereof, without premium, together with accrued interest to the date of redemption, from the principal component of Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date as follows:

Certificates Maturing April 1, 20__

Redemption Date <u>(April 1)</u>	Principal Amount of <u>Certificates to be Redeemed</u> \$
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(Maturity)

Certificates Maturing April 1, 20__

Redemption Date <u>(April 1)</u>	Principal Amount of <u>Certificates to be Redeemed</u> \$
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(Maturity)

In the event that the Trustee redeems Certificates maturing on April 1, 20__ or April 1, 20__ in part but not in whole pursuant to Section 4.01(a), the amount of the Certificates to be redeemed on each redemption date as described above will be modified at the written direction of the District to correspond to the modified principal component of the Installment Payments due on such redemption date.

SECTION 4.02. *Selection of Certificates for Prepayment.* Whenever provision is made herein for the prepayment of Certificates and less than all Outstanding Certificates of any one maturity are called for prepayment, the Trustee shall select

Certificates for prepayment within such maturity by lot in any manner deemed fair by the Trustee. For the purposes of such selection, Certificates shall be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates or portions thereof so selected for prepayment. The selection by the Trustee of any Certificates for prepayment shall be final and conclusive.

SECTION 4.03. *Notice of Prepayment.* When prepayment is authorized or required under Section 4.01, the Trustee shall give notice of the prepayment of the Certificates on behalf and at the expense of the District. Such notice shall state the prepayment date and prepayment price and, if less than all of the then Outstanding Certificates of any maturity are to be called for prepayment, shall designate the numbers of the Certificates to be prepaid by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment or by stating that all of the Certificates of one or more maturities have been called for prepayment, and shall require that such Certificates be surrendered on the designated prepayment date at the Corporate Trust Office of the Trustee for prepayment at said prepayment price. Such notice shall further state that on the specified date there shall come due and payable upon each Certificate, the principal and premium, if any, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of such prepayment shall be mailed by first class mail with postage prepaid, to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, and to the Information Services. Such notice shall be mailed at least 20 days but not more than 60 days prior to the prepayment date. In addition, notice of prepayment shall be given by telecopy or certified, registered or overnight mail to each of the Securities Depositories. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid; *provided, however*, that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

The District has the right to rescind any notice of the optional prepayment of the Certificates under Section 4.01(a) by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of optional prepayment shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default. The District and the Trustee have no liability to the Certificate Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent under this Section.

SECTION 4.04. *Partial Prepayment of Certificates.* Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity.

SECTION 4.05. *Effect of Notice of Prepayment.* Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Installment Payment Fund, the Certificates shall be due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Corporate Trust Office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus any applicable premium and plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and be payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust, uninvested, for the account of the Owners of the Certificates so to be prepaid.

All Certificates paid at maturity or prepaid prior to maturity under this Article IV shall be cancelled upon surrender thereof and destroyed under Section 12.10.

SECTION 4.06. *Purchase of Certificates.* In lieu of prepayment of Certificates as provided in this Article IV, amounts held by the Trustee for such prepayment shall, at the written request of the District Representative received by the Trustee no later than 45 days prior to the prepayment date, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid. The aggregate principal amount of Certificates of the same maturity purchased in lieu of prepayment under this Section 4.06 may not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such prepayment.

ARTICLE V

INSTALLMENT PAYMENTS; INSTALLMENT PAYMENT FUND

SECTION 5.01. *Assignment of Rights in Installment Sale Agreement.* The Corporation hereby irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Corporation, all of its rights in the Installment Sale Agreement (excepting only the Corporation's rights under Sections 4.7, 5.2 and 6.4 thereof), including but not limited to all of the Corporation's rights to receive and collect all of the Installment Payments and all other amounts required to be deposited in the Installment Payment Fund. The Trustee hereby accepts such assignment for the benefit of the Certificate Owners. Such assignment shall neither create any obligations nor give rise to any duties on the part of the Trustee other than those obligations and duties contained herein and shall not be liable for any covenants, representations or warranties of the Corporation.

All Installment Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee, and all of the Installment Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one (1) Business Day after the receipt thereof, and all such Installment Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Installment Payment Fund.

SECTION 5.02. *Establishment of Installment Payment Fund.* The Trustee shall establish and maintain a special fund designated as the "Installment Payment Fund", into which the Trustee shall deposit all amounts paid to the Trustee for such purpose under the Installment Sale Agreement. All moneys at any time deposited by the Trustee in the Installment Payment Fund shall be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation has any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in the Installment Sale Agreement or herein, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

SECTION 5.03. *Application of Moneys.* Except as provided in Section 5.04, the Trustee shall use and withdraw amounts in the Installment Payment Fund solely for the purpose of paying the principal, interest and prepayment premiums (if any) represented by the Certificates as the same are due and payable, in accordance with the provisions of Article II and Article IV.

SECTION 5.04. *Surplus.* At the written request of the District, the Trustee shall withdraw and remit to the District any surplus remaining in the Installment Payment Fund, after prepayment and payment of all Certificates, including all premiums and accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such prepayment or payment having been made in accordance with Section 12.01.

ARTICLE VI

MONEYS IN FUNDS; INVESTMENT

SECTION 6.01. *Held in Trust.* The moneys and Permitted Investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the District and the Owners of the Certificates solely for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee, the District or the Owner of any Certificates.

SECTION 6.02. *Investments Authorized.* Upon the written direction of the District filed with the Trustee from time to time, moneys held by the Trustee in any fund or account established hereunder shall be invested and reinvested by the Trustee in Permitted Investments which mature not later than the date such moneys are required or estimated by the District to be required to be expended hereunder. In the absence of any written direction of the District directing the investment of uninvested moneys held by the Trustee hereunder, the Trustee shall invest such moneys in Permitted Investments described in clause (g) of the definition thereof, which mature not later than the date such moneys are required or estimated by the Trustee to be required to be expended hereunder. Such investments, if registrable, shall be registered in the name of the Trustee, as trustee or in the name of its nominee, and shall be held by the Trustee.

The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 6.02 and shall be entitled to its customary fee therefor. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. Whenever in this Trust Agreement any moneys are required to be transferred by the District to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee has no responsibility or liability for any loss suffered in connection with any investment of funds made by it in accordance with this Section 6.02.

The District shall invest amounts held by it in any fund or account established hereunder or under the Installment Sale Agreement in any investments which are authorized for the investment of District funds under the laws of the State of California.

SECTION 6.03. *Accounting.* The Trustee shall furnish to the District, not less than quarterly, an accounting (in the form customarily used by the Trustee) of all investments and other transactions made by the Trustee under this Trust Agreement. The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law.

SECTION 6.04. *Allocation of Earnings.* Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made.

SECTION 6.05. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the District covenants that all investments of amounts deposited in any fund or account created by or under this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Trust Agreement or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below.

The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the District in any written directions of a District Representative.

(b) Investments in any funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at their present value (within the meaning of Section 148 of the Tax Code); provided that the District shall inform the Trustee which funds are subject to a yield restriction.

(c) For the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be valued by the District at least quarterly at the market value thereof. The Trustee may sell or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section 6.05, the term "Fair Market Value" shall mean 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 Tax 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 Tax 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 Tax 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 any related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

ARTICLE VII

THE TRUSTEE

SECTION 7.01. *Appointment of Trustee.* The Bank of New York Mellon Trust Company, N.A. is hereby appointed Trustee by the Corporation 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 Certificates 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 7.01 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 Corporation covenant that they will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Section 7.01, so long as any Certificates are Outstanding.

The Trustee is hereby authorized to pay or prepay the Certificates 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 Certificates upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Certificates paid and discharged. The Trustee shall be compensated for its services rendered under the provisions hereof.

SECTION 7.02. *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 Trust Agreement 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 may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents or receivers and the Trustee is not responsible for any misconduct or negligence on the part of any attorney, agent or receiver appointed with due care by it hereunder. The Trustee shall be entitled to rely conclusively on the advice or opinion of counsel concerning all matters of trust and its duty hereunder and shall be protected in any action taken or suffered by it hereunder in reliance on such advice or opinion.
- (d) The Trustee is not responsible for the validity hereof or for any recital herein, or in the Certificates, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Certificates 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 Corporation 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.
- (e) The Trustee is not accountable for the use or application of any Certificates or the proceeds thereof. The Trustee may be the Owner of Certificates 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 Certificates, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Certificates then Outstanding.
- (f) 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 Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates executed and delivered in exchange therefor or in place thereof.
- (g) 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 Corporation 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 7.02(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 Corporation Representative or a City Representative to the effect that an authorization in the form therein set forth has been adopted by the Corporation 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.

- (h) The permissive right of the Trustee to do things enumerated herein 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.
- (i) 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 Corporation 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 Certificates, unless the Trustee is specifically notified in writing of such default by the Corporation, the District or the Owners of at least 25% in aggregate principal amount of Certificates 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.
- (j) 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 System including all books, papers and records of the District pertaining to the System and the Certificates, and to take such memoranda from and with regard thereto as may be desired.
- (k) 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.
- (l) Notwithstanding anything elsewhere herein with respect to the execution of any Certificates, 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 Certificates, the withdrawal of any cash, or the taking of any other action by the Trustee.

- (m) Before taking any action referred to in Section 11.02 at the direction of the Certificate Owners, the Trustee may require that a satisfactory indemnity bond or other indemnification acceptable to the Trustee be furnished by the Certificate Owners, 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.
- (n) 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.
- (o) The Trustee is not responsible for the sufficiency of the Installment Sale Agreement or its right to receive moneys under the Installment Sale Agreement.
- (p) 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 Certificates 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.
- (q) 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 7.03. *Fees, Charges and Expenses of Trustee.* The Trustee is entitled to payment and reimbursement from the District and the Corporation 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 Certificate upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

SECTION 7.04. *Notice to Certificate Owners 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 7.02(i), then the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Certificate, 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 Certificate Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Certificate Owners not to give such notice.

SECTION 7.05. *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 Corporation, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee and the Corporation, 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 7.01.

SECTION 7.06. *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 Certificate Owners at their respective addresses set forth on the Registration Books.

SECTION 7.07. *Appointment of Successor Trustee.* In the event of the removal or resignation of the Trustee under Sections 7.05 or 7.06, 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 7.05 or within 30 days following the receipt of notice by the District under Section 7.06, 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 7.01. 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 7.08. *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 7.01, 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 7.09. *Concerning any Successor Trustee.* Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also

to the Corporation 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 Corporation, 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 Corporation 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 Corporation.

SECTION 7.10. *Non-Liability of Trustee.* The recitals, statements and representations by the District and the Corporation contained herein or in the Certificates shall be taken and construed as made by and on the part of the District and the Corporation, 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 System. 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 System.

SECTION 7.11. *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 Trust Agreement 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 Certificate Owners, the District and the Corporation having any claim against the Trustee arising from the Trust Agreement 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 Certificates.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF AGREEMENTS

SECTION 8.01. *Amendments Permitted Without Consent of Owners.* This Trust Agreement and the rights and obligations of the Owners of the Certificate, 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 Certificate Owners, only to the extent permitted by law and only for any one or more of the following reasons:

- (a) 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,
- (b) to cure, correct or supplement any ambiguous or defective provision contained herein or therein,
- (c) 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 Certificates,
- (d) to provide for matters relating to the issuance of Parity Obligations, or
- (e) if and to the extent permitted in the opinion of Bond Counsel filed with the Trustee, the District and the Corporation, to delete or modify any of the provisions hereof or thereof relating to the exemption from federal income taxation of interest represented by the Certificates.

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. The Trustee may obtain an opinion of Independent Counsel stating that any amendment to be accomplished by a supplemental agreement entered into under this Section 8.01 complies with the provisions of this Article VIII and the Trustee may conclusively rely on such opinion.

SECTION 8.02. *Amendments Permitted With Consent of Owners.* Except as permitted under Section 8.01, this Trust Agreement and the rights and obligations of the Owners of the Certificates, 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 Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 12.03, 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 Certificate 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 Certificate, or (b) reduce or have the effect of reducing the percentage of Certificates 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 Certificates, 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 Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 12.04) and the Trustee has given the notice required below. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates 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 Certificate 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 Certificates have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Certificates 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 Certificates 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 Certificates 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 8.03. *Effect of Supplemental Agreement.* From and after the time any supplemental agreement takes effect under this Article VIII, this Trust Agreement 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 Certificates 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 Trust Agreement or the Installment Sale Agreement for any and all purposes.

SECTION 8.04. *Endorsement or Replacement of Certificates Delivered After Amendments.* The Trustee may determine that Certificates 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 Certificate Outstanding at such effective date

and presentation of such Owner's Certificate for the purpose at the Corporate Trust Office of the Trustee, a suitable notation shall be made on such Certificate. The Trustee may determine that the delivery of substitute Certificates, so modified as in the opinion of the Trustee is necessary to conform to such Certificate Owners' action, which substitute Certificates shall thereupon be prepared, executed and delivered at the expense of the District. In that case, upon demand of the Owner of any Certificate then Outstanding, such substitute Certificate shall be exchanged at the Corporate Trust Office of the Trustee, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Outstanding Certificate.

SECTION 8.05. *Amendatory Endorsement of Certificates.* The provisions of this Article VIII do not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by such Owner, provided that proper notation thereof is made on such Certificates.

ARTICLE IX

OTHER COVENANTS

SECTION 9.01. *Compliance With and Enforcement of Installment Sale Agreement.* The District covenants and agrees with the Trustee, for the benefit of the Owners of the Certificates, to perform all obligations and duties imposed on it under the Installment Sale Agreement.

SECTION 9.02. *Observance of Laws and Regulations.* The District will observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, including its right to exist and carry on business as a public agency, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not be abandoned, forfeited or in any manner impaired.

SECTION 9.03. *Recordation and Filing.* The District shall record and file all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Certificate Owners.

SECTION 9.04. *Tax Covenants.*

(a) Private Business Use Limitation. The District shall assure that the proceeds of the Certificates are not so used as to cause the Certificates 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 Tax Code.

(b) 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 Tax Code.

(c) No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates 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 the Installment Sale Agreement to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) 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 Tax 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 Tax 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 Certificates, records of the determinations made under this subsection (d). In order to provide for the administration of this subsection (d), 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 has no duty or obligation to monitor or enforce compliance by the District of any of the requirements herein.

SECTION 9.05. *Continuing Disclosure*. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the District as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with such Continuing Disclosure Certificate does not constitute an Event of Default, although any Owner or beneficial owner of the Certificates may take such actions as are granted to it under the Continuing Disclosure Certificate.

SECTION 9.06. *Further Assurances*. The Corporation and the District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and of the Installment Sale Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

ARTICLE X

LIMITATION OF LIABILITY

SECTION 10.01. *Limited Liability of District and Corporation.* Except for the payment of Installment Payments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the District contained in the Installment Sale Agreement and herein, the District has no pecuniary obligation or liability to the Corporation, the Trustee or the Owners of the Certificates with respect hereto or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trustee, except as expressly set forth herein.

The Corporation has no pecuniary obligation or liability to the District or the Trustee, or to any of the Owners of the Certificates, with respect to the performance by the District of its obligations under the Installment Sale Agreement or this Trust Agreement, with respect hereto or the terms, execution, delivery or transfer of the Certificates, or with respect to the distribution of Installment Payments to the Owners by the Trustee.

SECTION 10.02. *No Liability for Trustee Performance.* Neither the District nor the Corporation has any obligation or liability with respect to the performance by the Trustee of any duty imposed upon it hereunder.

SECTION 10.03. *Indemnification of Corporation and Trustee.* The District shall indemnify and save the Corporation and Trustee, and their respective officers, agents and employees, harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of or in connection with any of the following:

- (a) the use, maintenance, condition or management of, or from any work or thing done on, the System by the District,
- (b) any breach or default on the part of the District in the performance of any of its obligations hereunder and any other agreement made and entered into for purposes of the System,
- (c) any act of the District or of any of its agents, contractors, servants, employees, licensees with respect to the System,
- (d) any act of any assignee of, or purchaser from the District or of any of its agents, contractors, servants, employees or licensees with respect to the System,
- (e) the actions of any other party, including but not limited to the ownership, operation or use of the System by the District,
- (f) the Trustee's exercise and performance of its powers and duties hereunder or under the Installment Sale Agreement, or
- (g) the execution, delivery and sale of the Certificates.

No indemnification will be made under this Section or elsewhere herein for willful misconduct or negligence by the Trustee or the Corporation, or their respective officers, agents, employees, successors or assigns. The District's obligations under this Section 10.03 shall remain valid and binding notwithstanding the maturity and payment of the Certificates or the resignation or removal of the Trustee.

SECTION 10.04. *Opinion of Counsel.* Before being required to take any action, the Trustee may require an opinion of counsel acceptable to the Trustee, or an opinion of Bond Counsel acceptable to the Trustee with respect to any federal tax matters, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, Trustee shall be absolutely protected in relying conclusively on any such opinion or certificate obtained by the Trustee.

SECTION 10.05. *Limitation of Rights to Parties and Certificate Owners.* Nothing herein or in the Certificates expressed or implied is intended or shall be construed to give any person other than the District, the Corporation, the Trustee and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect hereof or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the District, the Corporation, the Trustee and the Owners.

ARTICLE XI

REMEDIES OF CERTIFICATE OWNERS

SECTION 11.01. *Assignment of Rights.* Under Section 5.01, the Corporation transfers, assigns and sets over to the Trustee all of the Corporation's rights in and to the Installment Sale Agreement (excepting only the Corporation's rights under Sections 4.8, 5.2 and 6.4 thereof), including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation under the Installment Sale Agreement as may be necessary or convenient (a) to enforce payment of the Installment Payments and any other amounts required to be deposited in the Installment Payment Fund, and (b) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners upon the occurrence of an Event of Default.

SECTION 11.02. *Remedies.* If an Event of Default happens, 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 a majority in aggregate principal amount of the Certificates then Outstanding the Trustee (to the extent indemnified as provided herein) shall, exercise any and all remedies available under law or granted under the Installment Sale Agreement.

SECTION 11.03. *Application of Funds.* All moneys received by the Trustee as a result of any right given or action taken under the provisions of this Article XI or Article VI of the Installment Sale Agreement shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee and of the Certificate Owners in declaring and enforcing such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the Overdue Rate (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

SECTION 11.04. *Institution of Legal Proceedings.* If one or more Events of Default happens and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

SECTION 11.05. *Non-waiver.* Nothing in this Article XI or in any other provision hereof or in the Certificates, affects or impairs the obligation of the District, which is absolute and unconditional, to pay or prepay the Installment Payments as provided in the Installment Sale Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or any Owner of any of the Certificates to exercise any right or power arising upon the happening 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 Article XI to the Trustee or the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

SECTION 11.06. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee or the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

SECTION 11.07. *Power of Trustee to Control Proceedings.* If the Trustee takes any action upon the occurrence of an Event of Default, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the

request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, then the Trustee has full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action.

SECTION 11.08. *Limitation on Certificate Owners' Right to Sue.* No Owner of any Certificate executed and delivered hereunder has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

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 Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates have any right in any manner whatever by its or their action to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's direct, undivided fractional interest in the Installment Payments as the same come due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision hereof.

ARTICLE XII

MISCELLANEOUS

SECTION 12.01. *Discharge of this Trust Agreement.* If and when the obligations represented by any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest and prepayment premiums (if any) represented by such Certificates Outstanding, as and when the same become due and payable; or
- (b) by irrevocably depositing with the Trustee or any other fiduciary, security for the payment of Installment Payments relating to such Certificates as more particularly described in Section 7.1 of the Installment Sale Agreement, said security to be held by the Trustee

on behalf of the District to be applied by the Trustee or by such other fiduciary to pay or prepay such Installment Payments as the same become due, under Section 7.1 of the Installment Sale Agreement;

then, notwithstanding that such Certificates shall not have been surrendered for payment, all rights hereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to such Certificates shall cease and terminate, except only the obligations of the Trustee under Sections 2.07 and 2.08, and the obligation of the Trustee to pay or cause to be paid, from Installment Payments paid by or on behalf of the District from funds deposited under the preceding paragraph (b) of this Section, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits under the preceding paragraph (b), such Certificates shall continue to represent direct, undivided fractional interests of the Owners thereof in the Installment Payments.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in the preceding paragraphs (a) or (b) of this Section, which are not required for the payment to be made to Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees) then due, be paid over to the District.

SECTION 12.02. *Notices.* Any notice, request, complaint, demand or other communication hereunder shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by fax or other form of telecommunication, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The District, the Corporation 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 District: Indian Wells Valley Water District
500 W. Ridgecrest Boulevard
P.O. Box 1329
Ridgecrest, California 93556-1329
Attention: Chief Financial Officer
Fax: (760) 375-3969

If to the Corporation: Public Property Financing Corporation of California
2945 Townsgate Road, Suite 200
Westlake Village, CA 91361
Attention: President
Fax: (805) 230-2224

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust Services
Fax: (213) 630-6215 _____

SECTION 12.03. *Records.* The Trustee shall keep complete and accurate records of all moneys received and disbursed hereunder, which shall be available for inspection by the District, the Corporation and any Owner, or the agent of any of them, upon prior written request during regular business hours.

SECTION 12.04. *Disqualified Certificates.* In determining whether the Owners of the requisite aggregate principal amount of Certificates have concurred in any demand, request, direction, consent or waiver hereunder, Certificates which are owned or held by or for the account of the District or the Corporation (but excluding Certificates held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, *provided, however*, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Certificates which the Trustee knows to be so owned or held shall be disregarded.

SECTION 12.05. *Payment of Certificates 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 Certificates and remaining unclaimed for 2 years after the principal represented by all of the Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 12.06. *Governing Law.* This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 12.07. *Binding Effect; Successors; Benefits Limited to Parties.* This Trust Agreement shall be binding upon and inure to the benefit of the parties, and their respective successors and assigns. Whenever herein either the Corporation, the District 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 contained herein by or on behalf of the Corporation, the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not. Nothing herein expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Corporation, the District, the Trustee or the Certificate Owners, any right, remedy or claim hereunder or by reason hereof or of any covenant, condition or stipulation contained herein. All covenants, stipulations, promises and agreements contained herein by or on behalf of

the Corporation or the District shall be for the sole and exclusive benefit of the Corporation, the District, the Trustee and the Certificate Owners.

SECTION 12.08. *Execution in Counterparts.* This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

SECTION 12.09. *Delivery of Cancelled Certificates.* Whenever provision is made herein for the surrender to or cancellation by the Trustee of any Certificates, the Trustee shall cancel and destroy such Certificates and shall deliver a certificate of destruction with respect thereto to the District.

SECTION 12.10. *Corporation and District Representatives.* Whenever under the provisions hereof the approval of the Corporation or the District is required, or a written certificate, requisition, direction or order is required to be delivered by the District or the Corporation to the Trustee, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given, and such certificate, requisition, direction or order shall be executed, for the Corporation by a Corporation Representative and for the District by a District Representative, and any party hereto shall be authorized to rely upon any such approval, request, certificate, requisition, direction or order.

SECTION 12.11. *Waiver of Notice.* Whenever the giving of notice by mail or otherwise is required hereunder, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any 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.

SECTION 12.12. *Severability of Invalid Provisions.* In case any one or more of the provisions contained herein or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases hereof may be held illegal, invalid or unenforceable.

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date and year first above written.

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

By _____
Authorized Officer

**PUBLIC PROPERTY FINANCING CORPORATION
OF CALIFORNIA**

By _____
President

ATTEST:

By _____
Secretary

INDIAN WELLS VALLEY WATER DISTRICT

By _____
General Manager

ATTEST:

By _____
Secretary

APPENDIX A
DEFINED TERMS

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

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

- (i) An allowance for System Net Revenues from any additions or improvements to or extensions of the System to be financed from the proceeds of such Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12 month period selected by the District under Section 5.8(b) of the Installment Sale Agreement, were not in service, all in an amount equal to the estimated additional average annual System Net Revenues to be derived from such additions, improvements and extensions during the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by a certificate of a District Representative.
- (ii) An allowance for System Net Revenues arising from any increase in the charges made for service from the System 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 12 month period, was not in effect, in an amount equal to the total amount by which the System Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or such 12 month period, all as shown by a certificate of a District Representative.

“Additional Payments” means the amounts payable by the District under Section 4.7 of the Installment Sale Agreement.

“Corporation” means the Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, and any successor thereto.

“Corporation Representative” means the President, Secretary or Treasurer of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Installment Sale Agreement and the Trust Agreement.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code.

“Bond Year” means any 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, 2019.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, or in any state in which the Corporate Trust Office of the Trustee is located, are closed.

“Certificates” means the \$_____ aggregate principal amount of certificates of participation, designated the Water Revenue Certificates of Participation, Series 2018, executed and delivered pursuant hereto and at any time Outstanding under the Trust Agreement.

“Closing Date” means December __, 2018, being the day when the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser.

“Construction Fund” means the fund by that name established and held by the District under Section 3.03 of the Trust Agreement.

“Corporate Trust Office” means, with respect to the Trustee, the corporate trust office of the Trustee at its address set forth in Section 12.02 of the Trust Agreement; 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 items of expense directly or indirectly payable by or reimbursable to the District relating to the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, underwriter’s discount and original issue discount (if any), printing costs, reproduction and binding costs, initial fees and charges of the Trustee and its counsel, initial charges of the Corporation, out-of-pocket expenses incurred by the District, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.02 of the Trust Agreement.

“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 organized and existing under the laws of the State of California, and any successor thereto.

“District Representative” means the General Manager, Chief Financial Officer, or any other person authorized by resolution of the Board of Directors of the District to act on behalf of the District under or with respect to the Installment Sale Agreement and this Trust Agreement.

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

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

“Event of Default” means an event of default under the Installment Sale Agreement, as described in Section 6.1 thereof.

“Federal Securities” means: (a) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”); (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 the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the District as its fiscal year.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the District, and who, or each of whom (a) is in fact independent and not under domination of the District; (b) does not have any substantial interest, direct or indirect, with the District; and (c) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports to the District.

“Information Services” means the MSRB’s Electronic Municipal Market Access (EMMA) website and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the District may designate in a written request delivered to the Trustee.

“Installment Payment” means all payments required to be paid by the District on any date under Section 4.4 of the Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Section 7.2 or 7.3 of the Installment Sale Agreement.

“Installment Payment Date” means, with respect to any Interest Payment Date, the 3rd Business Day preceding such Interest Payment Date.

“Installment Payment Fund” means the fund by that name established and held by the Trustee under Section 5.02 of the Trust Agreement.

“Installment Sale Agreement” means the Installment Sale Agreement, dated as of December 1, 2018, between the District and the Corporation, together with any duly authorized and executed amendments thereto.

“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 System, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

“Interest Payment Date” means, with respect to any Certificate, April 1, 2019 and each October 1 and April 1 thereafter to and including the date of maturity or the date of prepayment of such Certificate.

“Maximum Annual Debt Service” means with respect to the Installment Payments and any Additional Parity Obligations, 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 principal amount of the Installment Payments and any Additional Parity Obligations 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 redemption 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 Additional Parity Obligations which would be Outstanding in such Bond Year if the Installment Payments and any Additional 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 Tax 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, its successors and assigns.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.05(a) of the Trust Agreement.

“Operation and Maintenance Costs” means all management, operation and maintenance costs of the System, determined in accordance with Generally Accepted Accounting Principles, including all incidental costs, fees and expenses properly chargeable thereto and all amounts properly chargeable thereto by the general fund of the District; but excluding in all cases (i) payment of 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 Alamo Capital, as original purchaser of the Certificates on the Closing Date.

“Outstanding”, when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 12.05 of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee hereunder except (a) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates paid and discharged in accordance with Section 12.01 of the Trust Agreement, provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment has been given as provided in Section 4.03 or provision satisfactory to the Trustee has been made for the giving of such notice; and (c) Certificates in lieu of or in exchange for which other Certificates have been executed and delivered by the Trustee under Section 2.08 of the Trust Agreement.

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

“Owner”, when used with respect to a Certificate, means the person in whose name the ownership of such Certificate shall be registered on the Registration Books.

“Parity Obligations” means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District payable from and secured by a pledge of and lien upon any of the System Net Revenues issued or incurred on a parity with the Installment Sale Agreement under Section 5.8 of the Installment Sale 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:

- (a) Federal Securities;
- (b) 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.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), 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 fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated in the highest short-term rating category by S&P and Moody's.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P and Moody's.
- (f) Money market 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 or other management services).

- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax 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.
- (h) 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.
- (i) 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.
- (j) 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.
- (k) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Project" means, collectively, the facilities, improvements and other property constituting part of the System, which are financed or refinanced from the proceeds of the Certificates as contemplated by the Installment Sale Agreement. The exact description of the Project shall be made by the District by reference to the plans and specifications therefor.

"Project Costs" means, with respect to the Project, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Construction 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.

“Record Date” means the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day.

“Refunding Instructions” means those certain Irrevocable Refunding Instructions, dated as of December 1, 2018, delivered by the District to the 2009 Trustee.

“Registration Books” means the records maintained by the Trustee under Section 2.11 of the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Request of the District delivered by the District to the Trustee.

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

“S&P” means S&P Global Ratings, its successors and assigns.

“System” means the whole and each and every part of the System of the District, including the portion presently in existence, and including all additions, betterments, extensions and improvements to such system or any part acquired or constructed in the future.

“System Fund” means the fund or funds established and held by the District with respect to the System, into which all or any part of the System Revenues are deposited.

“System Net Revenues” means for any period System Revenues less Operation and Maintenance Costs for such period; provided that certain adjustments in the amount of System Net Revenue deemed collected during a Fiscal Year may be made in connection with amounts deposited in the Rate Stabilization Fund as provided in the Installment Sale Agreement.

“System Revenues” means all gross income and revenue received, or receivable by the District, from the ownership or operation of the System, determined in accordance with Generally Accepted Accounting Principles, including all fees, rates, charges and all amounts paid under any contracts received by or owed to the District in connection with the operation of

the System and all proceeds of insurance relating to the System and all other income and revenue howsoever derived by the District from the ownership or operation of the System or arising from the System.

“Tax Code”, means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official guidance published, under the Tax Code.

“Term” means, when used with respect to the Installment Sale Agreement, the time during which the Installment Sale Agreement is in effect, as provided in Section 4.2 thereof.

“Trust Agreement” means this Trust Agreement, together with any amendments or supplements hereto permitted to be made under the Trust Agreement.

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

“2009 Agreement” means the Installment Purchase Agreement, dated as of September 1, 2009, by and between the District and the Corporation.

“2009 Certificates” means the Indian Wells Valley Water District (Kern County, California) Water Revenue Certificates of Participation, Series 2009, executed and delivered in the initial principal amount of \$20,000,000.

“2009 Trustee” means The Bank of New York Mellon Trust Company, N.A., as trustee for the 2009 Certificates.

“2016 Agreement” means the Installment Purchase Agreement, dated as of April 1, 2016, by and between the District and Mission Bank, as amended.

APPENDIX B

FORM OF CERTIFICATE OF PARTICIPATION

R-__

***\$ _____ ***

**WATER REVENUE CERTIFICATES OF PARTICIPATION,
SERIES 2018**

**Evidencing the Direct, Undivided Fractional Interest of the
Owner Hereof in Installment Payments to be Made by the**

INDIAN WELLS VALLEY WATER DISTRICT

**As the Purchase Price For Certain Property Pursuant to an
Installment Sale Agreement with the
Public Property Financing Corporation of California**

RATE OF INTEREST: MATURITY DATE: ORIGINAL ISSUE DATE: CUSIP:

December __, 2018

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT _____ DOLLARS

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Certificate of Participation (this "Certificate") is the owner of a direct, undivided fractional interest in Installment Payments (the "Installment Payments") payable 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 December 1, 2018 (the "Installment Sale Agreement") between the District and Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), as the purchase price for certain property which is to be used in the system for the supply, treatment and distribution of water within the service area of the District (the "System"). The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), having a corporate trust office in Los Angeles, California (the "Trust Office").

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Sale Agreement, on the Maturity Date identified above, or any earlier prepayment date, the Principal Amount identified above representing a direct, undivided fractional share of the portion of the Installment Payments designated as principal, and to receive on April 1 and October 1 of each year commencing April 1, 2019 (the "Interest Payment Dates") until payment in full of said principal, the Registered Owner's direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately

preceding each of the Interest Payment Dates. Interest represented hereby shall be payable from the Interest Payment Date next preceding the date of execution of this Certificate unless (a) this Certificate is executed after the close of business on the 15th day of the month immediately preceding an Interest Payment Date and on or before such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (b) unless this Certificate is executed on or before March 15, 2019, in which event interest shall be payable from the Original Issue Date identified above.

The Registered Owner's share of the portion of the Installment Payments designated as interest is the result of the multiplication of the aforesaid share of the portion of the Installment Payments designated as principal by the Rate of Interest per annum identified above, calculated on the basis of a 360-day year comprised of twelve 30-day months. Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Trust Office of the Trustee. Interest represented hereby is payable by check mailed by first class mail by the Trustee on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the registration books of the Trustee as of the close of business on the 15th day of the preceding month; *provided, however*, that at the written request of the owner of Certificates in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of the 15th day of the month preceding an Interest Payment Date, interest represented by such Certificates shall be paid on such Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such request.

This Certificate has been executed and delivered by the Trustee pursuant to the terms of a Trust Agreement dated as of December 1, 2018, among the Trustee, the Corporation and the District (the "Trust Agreement"). The District has certified that it is authorized to enter into the Installment Sale Agreement and the Trust Agreement under the laws of the State of California, for the purpose of refinancing certain obligations of the District and financing certain additional improvements to the System. Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Trust Office of the Trustee) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the District under the Installment Sale Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The District is obligated under the Installment Sale Agreement to pay the Installment Payments from the System Net Revenues of the System (as such terms are defined in the Installment Sale Agreement). The obligation of the District to pay the 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 obligation of the District to pay the Installment Payments does not constitute a debt of the District, the State of California or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificates maturing on or before April 1, 20__, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after April 1, 20__, are subject to optional prepayment in whole on any date on or after April 1, 20__, or in part, from prepayments of the Installment Payments made at the option of the District under the Installment Sale Agreement, at a prepayment price (expressed as percentages of the

principal amount of Certificates or portions thereof to be prepaid) set forth in the following table, in each case with accrued interest represented thereby to the prepayment date:

Prepayment Dates	Prepayment Price
April 1, 20__ through March 31, 20__	103%
April 1, 20__ through March 31, 20__	102%
April 1, 20__ through March 31, 20__	101%
April 1, 20__ and any date thereafter	100%

If the Certificates are prepaid in part but not in whole, the Certificates shall be selected for prepayment among maturities on such basis as the District designates in written notice to the Trustee, and by lot within a maturity.

The Certificates maturing on April 1, 20__ and April 1, 20__ are also subject to mandatory sinking fund redemption on April 1 in each year on or after April 1, 20__ and April 1, 20__, respectively, by lot, in integral multiples of \$5,000, at a redemption price equal to the principal amount thereof, without premium, together with accrued interest to the date of redemption, from the principal component of Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date as follows:

Certificates Maturing April 1, 20__

Redemption Date (April 1)	Principal Amount of <u>Certificates to be Redeemed</u> \$
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(Maturity)

Certificates Maturing April 1, 20__

Redemption Date (April 1)	Principal Amount of <u>Certificates to be Redeemed</u> \$
------------------------------	---

(Maturity)

In the event that the Trustee redeems Certificates maturing on April 1, 20__ or April 1, 20__ in part but not in whole pursuant to the optional prepayment provisions of the Trust Agreement, the amount of the Certificates to be redeemed on each redemption date as described above will be modified at the written direction of the District to correspond to the modified principal component of the Installment Payments due on such redemption date.

As provided in the Trust Agreement, notice of prepayment shall be mailed by the Trustee by first class mail, postage prepaid, not less than 20 nor more than 60 days before the prepayment date, to the registered owners of the Certificates to be prepaid, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment or the cessation of accrual of interest represented thereby. If this

Certificate is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

This Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates, of authorized denomination or denominations, representing the same aggregate principal amount and representing the same rate of interest, will be delivered to the transferee in exchange herefor. The District, the Corporation and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the District, the Corporation and the Trustee shall not be affected by any notice to the contrary.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Certificates then outstanding, and may be amended without such consent under certain circumstances; provided that no such amendment shall extend the fixed maturity of any Certificate or reduce the interest or principal represented thereby, without the express consent of the owner of such Certificate.

The District has certified, recited and declared that all things, conditions and acts required by the laws of the State of California, the Installment Sale Agreement and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Certificates, do exist, have happened and have been performed in due time, form and manner as required by law.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any Certificate 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.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by The Bank of New York Mellon Trust Company, N.A., as trustee, acting pursuant to the Trust Agreement.

Execution Date:

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

By: _____
Authorized Officer

SPECIMEN
ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

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

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

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution (banks, stockbrokers, saving and loan associations and credit unions with membership in an approved signature medallion program) pursuant to Securities and Exchange Commission Rule 17Ad-15.

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

IRREVOCABLE REFUNDING INSTRUCTIONS

Relating to:

**INDIAN WELLS VALLEY WATER DISTRICT
(KERN COUNTY, CALIFORNIA)
Water Revenue Certificates of Participation, Series 2009**

These IRREVOCABLE REFUNDING INSTRUCTIONS (these "Instructions"), dated December __, 2018, are given by the INDIAN WELLS VALLEY WATER DISTRICT, a water district duly organized and existing under the laws of the State of California (the "District") to 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, as 2009 Trustee (defined below).

B A C K G R O U N D :

WHEREAS, in order to provide funds to finance and refinance improvements to its water system, the District previously entered into an Installment Purchase Agreement, dated as of August 1, 2009 (the "2009 Agreement"), with Public Property Financing Corporation of California (the "Corporation"), and, in connection therewith, caused to be executed and delivered the Indian Wells Valley Water District (Kern County, California) Water Revenue Certificates of Participation, Series 2009 in the initial principal amount of \$20,000,000 (the "2009 Certificates") pursuant to a Trust Agreement, dated as of August 1, 2009 (the "2009 Trust Agreement"), by and among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "2009 Trustee"); and

WHEREAS, amounts owed by the District under the 2009 Agreement and principal due on the 2009 Certificates maturing on and after October 1, 2019 are subject to optional prepayment by the District from October 1, 2018 through September 30, 2019, at a prepayment price equal to 100% of the principal amount of the 2009 Certificates to be prepaid, plus 1% premium; and

WHEREAS, in order to take advantage of prevailing bond market conditions, the District desires to refinance and prepay, in full, the 2009 Agreement, which will, in turn, result in the full optional prepayment of the 2009 Certificates due on and after October 1, 2019 on December ____, 2018 (the "Prepayment Date"); and

WHEREAS, in order to provide funds to refinance the 2009 Agreement and 2009 Certificates and thereby realize interest rate savings to the District, the District, the Corporation, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "2018 Trustee") have entered into a Trust Agreement dated as of December 1, 2018 (the "2018 Trust Agreement") pursuant to which the 2018 Trustee will execute and deliver Indian Wells Valley Water District Water Revenue Certificates of Participation, Series 2018 (the "2018 Certificates"); and

WHEREAS, the District desires to provide these Instructions to the 2009 Trustee for the purpose of establishing an irrevocable refunding fund to be funded, invested, held and administered for the purpose of prepaying, in full, the 2009 Agreement and the 2009 Certificates.

NOW, THEREFORE, the District hereby irrevocably instructs the 2009 Trustee as follows:

SECTION 1. *Establishment of Refunding Fund.* The 2009 Trustee is hereby directed to establish a prepayment fund entitled the "Indian Wells Valley 2018 Refunding Fund" (the "**Refunding Fund**"), to be held by the 2009 Trustee for the purposes set forth in these Instructions. All amounts in the Refunding Fund are hereby irrevocably pledged as a special fund for the prepayment, in full, of the 2009 Agreement and the 2009 Certificates.

SECTION 2. *Deposit and Investment of Amounts in Refunding Fund.*

(a) On December __, 2018 (the "**Closing Date**"), the District and/or the Corporation will cause to be transferred to the 2009 Trustee for deposit into the Refunding Fund the amount of \$_____ in immediately available funds, comprised of the following:

(i) \$_____ received from the District and/or the Corporation, derived from the proceeds of the 2018 Certificates; and

(ii) \$_____ from the other funds and accounts held by the 2009 Trustee under the 2009 Trust Agreement.

(b) The 2009 Trustee shall hold such amount in cash, uninvested.

SECTION 3. *Application of Amounts in Refunding Fund.* The total amount of cash deposited in the Refunding Fund pursuant to Section 2 shall be applied by the 2009 Trustee for the sole purpose of prepaying, in full, the 2009 Agreement and the 2009 Certificates on the Prepayment Date, in the amounts and at the prepayment price set forth in on Exhibit A attached hereto and by this reference incorporated herein.

If at any time the 2009 Trustee shall receive actual knowledge that the amounts in the Refunding Fund will not be sufficient to make any payment required by this Section 3, the 2009 Trustee shall notify the Corporation and the District of such fact and the District shall immediately cure such deficiency from any source of legally available funds. The 2009 Trustee has no liability for any such insufficiency.

Following the prepayment of the 2009 Agreement and 2009 Certificates as set forth above in this Section 3, the 2009 Trustee shall transfer any amounts remaining on deposit in the Refunding Fund to the 2018 Trustee, to be applied to the payments due with respect to the 2018 Certificates.

SECTION 4. *Irrevocable Election to Prepay 2009 Agreement and 2009 Certificates.* The District has irrevocably elected to prepay, in full, the 2009 Agreement, which will result in the prepayment, in full, of the 2009 Certificates. The District has previously given notice of the prepayment of the 2009 Agreement and 2009 Certificates to the 2009 Trustee.

SECTION 5. *Amendments.* These Instructions shall be irrevocable by the District; provided, that they may be amended or supplemented by the District, but only if the District shall file with the 2009 Trustee a certification of an independent accountant

or independent financial adviser engaged by the District stating that such amendment or supplement will not affect the sufficiency of funds held hereunder to make the payments required by Section 3.

SECTION 6. *Application of Certain Terms of the 2009 Trust Agreement.* All of the terms of the 2009 Trust Agreement relating to the payment of principal of and interest and repayment premium, if any, on the 2009 Certificates and the prepayment thereof, and the indemnities, protections, immunities and limitations from liability afforded the 2009 Trustee, are incorporated in these Instructions for the benefit of the 2009 Trustee as if set forth in full herein. The indemnities afforded the 2009 Trustee in the 2009 Agreement are also incorporated in these Instructions for the benefit of the 2009 Trustee as if set forth in full herein.

[Signature Page Follows]

SECTION 7. *Governing Law.* These Instructions shall be construed in accordance with and governed by the laws of the State of California.

**INDIAN WELLS VALLEY WATER
DISTRICT**

By: _____
General Manager

ACKNOWLEDGED AND AGREED:

**PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA**

By: _____
Authorized Officer

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
*as 2009 Trustee***

By: _____
Authorized Officer

EXHIBIT A

\$20,000,000
INDIAN WELLS VALLEY WATER DISTRICT
(KERN COUNTY, CALIFORNIA)
Water Revenue Certificates of Participation, Series 2009

<u>CUSIP No.</u>	<u>Maturity</u> <u>(October 1)</u>	<u>Interest</u> <u>Rate</u>	<u>Amount of</u> <u>Prepayment</u>	<u>Prepayment</u> <u>Price (% of Par)</u>
45455R AK1	2019	5.000%	\$ 465,000	101%
45455R AL9	2020	5.000	485,000	101
45455R AM7	2021	5.000	505,000	101
45455R AN5	2022	5.000	525,000	101
45455R AP0	2023	5.000	550,000	101
45455R AQ8	2024	5.000	575,000	101
45455R AR6	2025	5.000	605,000	101
45455R AS4	2026	5.000	635,000	101
45455R AT2	2027	5.000	665,000	101
45455R AU9	2028	5.000	700,000	101
45455R AV7	2029	5.000	745,000	101
45455R AW5	2030	5.000	785,000	101
45455R AX3	2032 ^T	5.125	1,690,000	101
45455R AY1	2039 ^T	5.250	7,590,000	101

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2018

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: S&P: "____"
See "RATING"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of Installment Payments designated as and comprising interest and received by the owners of the Certificates 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, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$ _____
INDIAN WELLS VALLEY WATER DISTRICT
Water Revenue Certificates of Participation
Series 2018

Dated: Delivery Date

Due: April 1, as shown on the inside cover

Authority. The above-captioned Water Revenue Certificates of Participation, Series 2018 (the "Certificates") evidence and represent undivided proportionate interests in certain installment payments (the "Installment Payments") to be made by the Indian Wells Valley Water District (the "District") pursuant to an Installment Sale Agreement, dated as of December 1, 2018 (the "Installment Sale Agreement"), between the District and the Public Property Financing Corporation of California, a non-profit public benefit corporation (the "Corporation"). The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Purpose. The Certificates are being executed and delivered by the Trustee pursuant to a Trust Agreement, dated as of December 1, 2018 (the "Trust Agreement"), among the Trustee, the Corporation and the District to (i) refinance the District's obligations under that certain Installment Purchase Agreement, dated as of September 1, 2009 (the "2009 Agreement"), with the Corporation in an initial principal amount of \$20,000,000, (ii) finance the acquisition, construction, installation and equipping of certain additional capital improvements of the District and (iii) pay costs of executing and delivering the Certificates. See "THE FINANCING PLAN."

Bond Terms; Book-Entry Only. The Certificates will be executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive certificates representing their interest in the Certificates. The Certificates are being executed and delivered in denominations of \$5,000 principal amount or integral multiples thereof. Interest will accrue from the date of delivery and is payable semiannually on April 1 and October 1 of each year, commencing April 1, 2019 (each, an "Interest Payment Date"). The principal and semiannual interest with respect to the Certificates will be payable by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Certificates.

Prepayment. The Certificates are subject to prepayment prior to their scheduled maturity dates as described in this Official Statement. See "THE CERTIFICATES – Prepayment of the Certificates".

Security; Parity Debt. The payment of Installment Payments is secured by a pledge of the System Net Revenues, which is defined in the Trust Agreement. See "SECURITY FOR THE CERTIFICATES – Security for the Installment Payments" for additional information about the pledge of System Net Revenues. The 2009 Agreement being refunded by the Certificates is currently payable from System Net Revenues. In addition, the District's obligation to make installment payments pursuant to an Installment Purchase Agreement, dated as of April 1, 2016 (the "2016 Agreement"), with Mission Bank is payable from System Net Revenues. Following execution and delivery of the Certificates, the District will have no obligations outstanding payable on a basis that is senior to, or on a parity with, the District's obligation to pay the Certificates from the System Net Revenues other than the 2016 Agreement, which will remain payable from System Net Revenues on a parity basis. In addition, the Installment Sale Agreement authorizes the District to incur additional obligations secured by a pledge of System Net Revenues on a parity with the Installment Payments in the future. See "SECURITY FOR THE CERTIFICATES – Parity Obligations."

No Reserve Fund. The District will not fund a reserve fund for the Certificates.

This cover page contains information for general reference only, and is not a summary of the security or terms of this issue. Investors must read the entire Official Statement, including the section entitled "RISK FACTORS," for a discussion of special factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Certificates. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth in this Official Statement.

MATURITY SCHEDULE
See inside front cover

THE DISTRICT'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM SYSTEM NET REVENUES AND THE OTHER AMOUNTS PLEDGED THERETO IN THE INSTALLMENT SALE AGREEMENT. THE DISTRICT HAS NOT AGREED TO LEVY ANY FORM OF TAXATION TO PAY THE INSTALLMENT PAYMENTS. THE CERTIFICATES ARE SPECIAL LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE INSTALLMENT PAYMENTS AND OTHER AMOUNTS PLEDGED THERETO UNDER THE TRUST AGREEMENT. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS CONSTITUTES A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION.

The Certificates, will be offered when, as and if sold, executed and delivered to the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall, A Professional Law Corporation, is also acting as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by McMurtrey, Hartsock & Worth, Bakersfield, California, as general counsel to the District, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as counsel to the Underwriter. It is anticipated that the Certificates in book-entry form, will be available for delivery to DTC on or about December __, 2018.

[ALAMO CAPITAL LOGO]

Dated: _____, 2018

* Preliminary; subject to change.

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

MATURITY SCHEDULE

\$ _____
INDIAN WELLS VALLEY WATER DISTRICT
Water Revenue Certificates of Participation
Series 2018

(Base CUSIP* _____)

<u>Maturity Date</u> (April 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> [†]
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\$ _____ % Term Certificate due April 1, 20__; Yield: ____%;
Price: ____ CUSIP[†] _____

[†] Copyright 2018, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by Standard & Poor's Capital IQ, and are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

**INDIAN WELLS VALLEY WATER DISTRICT
(KERN COUNTY, CALIFORNIA)**

Board of Directors

Ronald R. Kicinski, *President*
Charles D. Griffin, *Vice President*
Peter E. Brown, *Director*
Charles F. Cordell, *Director*
Donald J. Cortichiato, *Director*

District Management Team

Don Zdeba, *General Manager*
Tyrell Staheli, *Chief Financial Officer*
Renee Morquecho, *Chief Engineer*

District General Counsel

McMurtrey, Hartsock & Worth
Bakersfield, California

Special Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor

W.J. Fawell Co., Public Finance
Carlsbad, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

[Insert Map]

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Certificates other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Certificates will, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described in this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Certificates.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Document References and Summaries. All references to and summaries of the Installment Sale Agreement, Trust Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Certificates to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Certificates are Exempt from Securities Laws Registration. The delivery and sale of the Certificates have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE BOARD OF DIRECTORS OF THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Website. The District maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

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OFFICIAL STATEMENT

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INDIAN WELLS VALLEY WATER DISTRICT
Water Revenue Certificates of Participation
Series 2018

The purpose of this Official Statement (which includes the cover page and the Appendices) is to provide information concerning the execution and delivery of the above-captioned Water Revenue Certificates of Participation, Series 2018 (the “**Certificates**”).

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used in this Official Statement and not defined have the meanings set forth in the Trust Agreement described below. Certain capitalized terms used in this Official Statement are defined in “APPENDIX A – Summary of Principal Legal Documents.”

INTRODUCTION

The District and the Corporation. Indian Wells Valley Water District (the “**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 11,923 customers located in and around the City of Ridgecrest, California, (the “**City**”) which has a population of about 27,000. The total population within the District’s service area is 33,476. 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 of Ridgecrest. The District is located approximately 110 miles north of San Bernardino, approximately 110 miles west of Bakersfield, and approximately 150 miles northeast of Los Angeles. The District owns, operates and maintains a water supply, storage, and distribution system (as further defined herein, the “**System**”). For additional information about the City and the County, see “APPENDIX B – GENERAL INFORMATION ABOUT THE CITY OF RIDGECREST AND KERN COUNTY.”

The Corporation is a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “**State**”) for the purpose of assisting in the financing of capital improvements of local agencies in the State, including the District.

The Certificates. The Certificates are being executed and delivered pursuant to the provisions of a Trust Agreement, dated as of December 1, 2018 (the “**Trust Agreement**”), among the District, the Public Property Financing Corporation of California, a non-profit public benefit

* Preliminary; subject to change.

corporation (the “**Corporation**”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”).

Purpose. The proceeds of the sale of the Certificates will be used to (i) refinance the District’s obligations under that certain Installment Purchase Agreement, dated as of September 1, 2009, with the Corporation in an initial principal amount of \$20,000,000 (the “**2009 Agreement**”), (ii) finance the acquisition, construction, installation and equipping of certain additional capital improvements of the District and (iii) pay costs of executing and delivering the Certificates. See “THE FINANCING PLAN”.

Security. The Certificates evidence undivided proportionate interests in certain installment payments (the “**Installment Payments**”), to be made by the District pursuant to an Installment Sale Agreement, dated as of December 1, 2018 (the “**Installment Sale Agreement**”), between the Corporation, as seller, and the District, as purchaser. The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to the Trustee. The payment of Installment Payments is secured by a pledge of the System Net Revenues (defined herein).

No Reserve Fund. The District will not fund a reserve fund for the Certificates.

Rate Covenant. The District has covenanted that, to the maximum extent permitted by law, the District will fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Net Revenues during such Fiscal Year equal to at least 120% of the Annual Debt Service in such Fiscal Year; provided, an adjustment will be made to the amount of System Net Revenues for deposits to or withdrawals from the Rate Stabilization Fund. See “SECURITY FOR THE CERTIFICATES – Rate Covenant” and “–Rate Stabilization Fund”

Prepayment. The Certificates are subject to prepayment prior to their scheduled maturity dates as described in this Official Statement. See “THE CERTIFICATES – Prepayment of the Certificates.”

Parity Obligations. The 2009 Agreement being refunded by the Certificates is currently payable from System Net Revenues. In addition, the District’s obligation to make installment payments pursuant to that certain Installment Purchase Agreement, dated as of April 1, 2016 (the “2016 Agreement”), with Mission Bank, which is currently outstanding in the principal amount of \$7,646,789, is payable from System Net Revenues. Following execution and delivery of the Certificates, the District will have no obligations outstanding payable on a basis that is senior to, or on a parity with, the District’s obligation to pay the Certificates from the System Net Revenues other than the 2016 Agreement, which will remain payable from System Net Revenues on a parity basis. In addition, the Installment Sale Agreement provides that the District may incur additional obligations secured by a pledge of System Net Revenues on a parity basis with the Installment Payments upon the satisfaction of certain conditions (such additional obligations are referred to as “**Parity Obligations**”). See “SECURITY FOR THE CERTIFICATES – Parity Obligations.”

Assignment. Pursuant to the Trust Agreement, the Corporation has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, substantially all of the Corporation’s 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.

Risk Factors. See “RISK FACTORS” in this Official Statement for a discussion of special factors that should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Certificates.

Limited Obligations. THE DISTRICT’S OBLIGATION TO MAKE INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM SYSTEM NET REVENUES AND THE OTHER AMOUNTS PLEDGED THERETO IN THE INSTALLMENT SALE AGREEMENT. THE DISTRICT HAS NOT AGREED TO LEVY ANY FORM OF TAXATION TO PAY THE INSTALLMENT PAYMENTS. THE CERTIFICATES ARE SPECIAL LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE INSTALLMENT PAYMENTS AND OTHER AMOUNTS PLEDGED THERETO UNDER THE TRUST AGREEMENT. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS CONSTITUTES A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION.

Summaries Not Definitive. The summaries and references of documents, statutes, reports and other instruments referred to in this Official Statement 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 in this Official Statement, indicates that such word is defined in a particular agreement or other document and, as used in this Official Statement, has the meaning given it in such agreement or document. See Appendix A for the definitions of certain terms used in this Official Statement and for a summary of certain provisions of the Trust Agreement and the Installment Sale Agreement.

Copies of the documents described in this Official Statement are available from the District for a reasonable copying and mailing fee.

THE FINANCING PLAN

General

The proceeds of the sale of the Certificates will be used to (i) refinance the 2009 Agreement, (ii) finance the acquisition, construction, installation and equipping of certain additional capital improvements of the District and (iii) pay costs of executing and delivering the Certificates.

Refinancing 2009 Agreement. The District previously entered into the 2009 Agreement to finance capital improvements to the System. In connection with the execution and delivery of the 2009 Agreement, the District caused to be executed and delivered \$20,000,000 initial principal amount of Indian Wells Valley Water District Water Revenue Certificates of Participation, Series 2009 (the “**2009 Certificates**”) pursuant a Trust Agreement, dated as of September 1, 2009 (the “**2009 Trust Agreement**”), among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**2009 Trustee**”), which evidence undivided proportionate interests in the installment payments payable by the District under the 2009 Agreement (the “**2009 Installment Payments**”).

The District will use a portion of the proceeds of the Certificates to refinance the 2009 Agreement and all of the outstanding 2009 Certificates. The 2009 Certificates are currently subject to prepayment on any date at a prepayment price equal to the outstanding principal amount of the 2009 Certificates plus 1% premium, plus accrued interest to the date fixed for prepayment. Pursuant to Irrevocable Refunding Instructions provided by the District to the 2009 Trustee, the 2009 Certificates will be prepaid on or about the closing date for the Certificates. *The amounts held by the 2009 Trustee under the Refunding Instructions are pledged solely to the payment of the 2009 Installment Payments and the 2009 Certificates. Neither the funds deposited with the 2009 Trustee, nor the interest thereon will be available for the payment of principal and interest with respect to the Certificates.*

Financing New Capital Projects. A portion of the proceeds of the Certificates will be used by the District to finance certain additional capital improvements to the System, which are anticipated to consist of construction of a new well, improvements to a reservoir, mainline pipe replacements, transmission line extensions, and software upgrades, as well as related design and engineering costs. Completion of the improvements is expected by the end of Fiscal Year 2020-21.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds related to the sale of the Certificates are as follows:

<u>Sources:</u>	<u>Amount</u>
Principal Amount of Certificates	\$
<i>Plus/Less: [Net] Original Issue Premium/Discount</i>	
<i>Plus: Funds relating to 2009 Agreement</i>	
Total Sources	<hr/> \$
 <u>Uses:</u>	
Refinancing 2009 Agreement	\$
Deposit to Acquisition and Construction Fund	
Costs of Issuance ⁽¹⁾	
Total Uses	<hr/> \$

(1) Includes Underwriter's discount, fees of Special Counsel, Disclosure Counsel, Municipal Advisor and Trustee, and other costs of executing and delivering the Certificates.

Debt Service Schedule

The table below shows the annual payments of principal and interest with respect to the Certificates, assuming no optional prepayment.

Fiscal Year	Certificates Principal	Certificates Interest	Certificates Total Payments
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
TOTAL			

THE CERTIFICATES

General

The Certificates will be dated as of the date of original delivery, will bear interest at the rates per annum and will mature on the dates and in the amounts set forth on the inside front cover. The Certificates will be executed and delivered in fully registered form without coupons. The Certificates are being executed and delivered in denominations of \$5,000 principal amount or any integral multiple thereof. The Certificates, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“**DTC**”). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Certificates, all payments with respect to the Certificates will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described in this Official Statement. See “– Book-Entry System” below.

Principal of and premium, if any, with respect to the Certificates is payable upon the surrender thereof at the corporate trust office of the Trustee in Los Angeles, California. Interest with respect to the Certificates will be paid by check of the Trustee mailed by first class mail, to the registered owners as of the 15th day of the month preceding the Interest Payment Date (the “**Record Date**”).

Notwithstanding the foregoing, while the Certificates are held in the book-entry only system of DTC, all such payments of principal, interest and premium, if any, will be made to Cede & Co. as the registered owner of the Certificates, for subsequent disbursement to Participant and beneficial owners. *While the Certificates are held in the book-entry only system of DTC, all notice and payments will be made to Cede & Co., as the registered owner of the Certificates.* See “APPENDIX F – BOOK ENTRY PROVISIONS.”

Prepayment of the Certificates*

Optional Prepayment. The Certificates maturing on or before April 1, 20__, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after April 1, 20__, are subject to optional prepayment in whole on any date on or after April 1, 20__, or in part, from prepayments of the Installment Payments made at the option of the District under the Installment Sale Agreement, at a prepayment price (expressed as percentages of the principal amount of Certificates or portions thereof to be prepaid) set forth in the following table, in each case with accrued interest represented thereby to the prepayment date:

<u>Prepayment Dates</u>	<u>Prepayment Price</u>
April 1, 20__ through March 31, 20__	103%
April 1, 20__ through March 31, 20__	102%
April 1, 20__ through March 31, 20__	101%
April 1, 20__ and any date thereafter	100%

* Preliminary; subject to change.

Mandatory Sinking Fund Redemption. The Certificates maturing on April 1, 20__ and April 1, 20__ are also subject to mandatory sinking fund redemption on October 1 in each year on or after April 1, 20__ and April 1, 20__, respectively, by lot, in integral multiples of \$5,000, at a redemption price equal to the principal amount thereof, without premium, together with accrued interest to the date of redemption, from the principal component of Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date as follows:

Certificates Maturing April 1, 20__

Redemption Date <u>(October 1)</u>	Principal Amount of <u>Certificates to be Redeemed</u>
	\$

(Maturity)

Certificates Maturing April 1, 20__

Redemption Date <u>(October 1)</u>	Principal Amount of <u>Certificates to be Redeemed</u>
	\$

(Maturity)

In the event that the Trustee redeems Certificates maturing on April 1, 20__ or October 1, 20__ in part but not in whole pursuant to a redemption described in "Optional Prepayment" above, the amount of the Certificates to be redeemed on each redemption date as described above will be modified at the written direction of the District to correspond to the modified principal component of the Installment Payments due on such redemption date.

Selection of Certificates for Prepayment. Whenever provision is made for the prepayment of Certificates and less than all Outstanding Certificates of any one maturity are called for prepayment, the Trustee shall select Certificates for prepayment within such maturity by lot in any manner deemed fair by the Trustee. For the purposes of such selection, Certificates shall be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates or portions thereof so selected for prepayment. The selection by the Trustee of any Certificates for prepayment shall be final and conclusive.

Notice of Prepayment. When prepayment is authorized or required under the Trust Agreement, the Trustee shall give notice of the prepayment of the Certificates on behalf and at the expense of the District. Such notice shall state the prepayment date and prepayment price and, if less than all of the then Outstanding Certificates of any maturity are to be called for prepayment, shall designate the numbers of the Certificates to be prepaid by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both

inclusive, have been called for prepayment or by stating that all of the Certificates of one or more maturities have been called for prepayment, and shall require that such Certificates be surrendered on the designated prepayment date at the Corporate Trust Office of the Trustee for prepayment at said prepayment price. Such notice shall further state that on the specified date there shall come due and payable upon each Certificate, the principal and premium, if any, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of such prepayment shall be mailed by first class mail with postage prepaid, to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, and to the Information Services. Such notice shall be mailed at least 20 days but not more than 60 days prior to the prepayment date. In addition, notice of prepayment shall be given by telecopy or certified, registered or overnight mail to each of the Securities Depositories. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid; *provided, however*, that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

Right to Rescind; Cancellation of Notice. The District has the right to rescind any notice of the optional prepayment of the Certificates under Section 4.01(a) by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of optional prepayment shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default. The District and the Trustee have no liability to the Certificate Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent under this Section.

Effect of Notice of Prepayment. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Installment Payment Fund, the Certificates shall be due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Corporate Trust Office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus any applicable premium and plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and be payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust, uninvested, for the account of the Owners of the Certificates so to be prepaid.

Partial Prepayment. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the un-prepaid portion of the Certificate surrendered and of the same interest rate and the same maturity.

Purchase in Lieu of Prepayment. In lieu of prepayment of Certificates as provided in the Trust Agreement, amounts held by the Trustee for such prepayment shall, at the written

request of the District Representative received by the Trustee no later than 45 days prior to the prepayment date, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid. The aggregate principal amount of Certificates of the same maturity purchased in lieu of prepayment under the Trust Agreement may not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such prepayment.

Book-Entry System

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – BOOK ENTRY PROVISIONS."

The District and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The District and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

SECURITY FOR THE CERTIFICATES

General

Each Certificate evidences and represents an undivided proportionate interest of the Owner thereof in the Installment Payments to be made by the District under the Installment Sale Agreement. The Corporation, pursuant to the Trust Agreement, has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, substantially all of the Corporation's 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.

Installment Payment Fund

The Trustee will establish a special fund designated as the "**Installment Payment Fund.**" All moneys at any time paid to the Trustee by the District as Installment Payments or Prepayments will be deposited by the Trustee in the Installment Payment Fund, which will be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates, and will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest and redemption premiums, if any, with respect to the Certificates as the same becomes due and payable

All payments on the Certificates will be made from the Installment Purchase Fund.

Installment Payments

The Installment Sale Agreement requires the District to make semi-annual payments of Installment Payments on the 3rd Business Day preceding each April 1 or October 1 of each year, commencing April 1, 2019 (each, an "**Interest Payment Date**"), and continuing thereafter during the term of the Certificates, in amounts as specified in the Installment Sale Agreement. As a result of the assignment by the Corporation to the Trustee, the District will pay the Installment Payments directly to the Trustee.

The obligations of the District to make the Installment Payments from the System Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Corporation or the Trustee of any obligation to the District or otherwise with respect to the System, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation or the Trustee.

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 (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 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 System, sale of the System, the taking by eminent domain of title to or temporary use of any component of the System, commercial frustration of purpose, any change in the laws of the United States of America or the State of

California or any political subdivision of either thereof or any failure of the Corporation 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 Trust Agreement or the Installment Sale Agreement.

Security for the Installment Payments

Pledge of System Net Revenues. Under the Installment Sale Agreement, all of the System Net Revenues, and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Trust Agreement, are irrevocably pledged to the punctual payment of the Installment Payments. Such pledge constitutes a lien on and security interest in the System Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms of the Installment Sale Agreement, and is on a parity with the pledge, lien and security interest which secures any Parity Obligations, if any.

Key Definitions. As used in the Installment Sale Agreement and the Trust Agreement, the following terms have the following meanings:

“System” means the whole and each and every part of the System of the District, including the portion presently in existence, and including all additions, betterments, extensions and improvements to such system or any part acquired or constructed in the future.

“System Net Revenues” means for any period System Revenues less Operation and Maintenance Costs for such period; provided that certain adjustments in the amount of System Net Revenue deemed collected during a Fiscal Year may be made in connection with amounts deposited in the Rate Stabilization Fund as provided in the Installment Sale Agreement.

“System Revenues” means all gross income and revenue received, or receivable by the District, from the ownership or operation of the System, determined in accordance with Generally Accepted Accounting Principles, including all fees, rates, charges and all amounts paid under any contracts received by or owed to the District in connection with the operation of the System and all proceeds of insurance relating to the System and all other income and revenue howsoever derived by the District from the ownership or operation of the System or arising from the System.

“Operation and Maintenance Costs” means all management, operation and maintenance costs of the System, determined in accordance with Generally Accepted Accounting Principles, including all incidental costs, fees and expenses properly chargeable thereto and all amounts properly chargeable thereto by the general fund of the District; but excluding in all cases (i) payment of 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.

“System Fund” means the fund or funds established and held by the District with respect to the System, into which all or any part of the System Revenues are deposited.

Flow of Funds. The District has previously established the System Fund, which the District agrees to continue to hold and maintain for the purposes and uses set forth in the Installment Sale Agreement. The District will deposit all of the System Revenues in the System Fund immediately upon receipt. In addition to the transfers required to be made under the

documents authorizing the issuance of any Parity Obligations, the District shall withdraw amounts on deposit in the System Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

- (i) Deposit and Application of System Net Revenues. On or before each Installment Payment Date, the District shall withdraw from the System Fund and transfer to the Trustee for deposit in the Installment Payment Fund an amount of System Net Revenues which, together with the balance then on deposit in the Installment Payment Fund, is equal to the aggregate amount of the Installment Payment coming due and payable on the next succeeding Interest Payment Date.
- (ii) No Preference or Priority. The District shall pay the Installment Payments and the principal of and interest on any Parity Obligations from System Net Revenues without preference or priority among the Installment Payments and Parity Obligations. If the amount of System Net Revenues on deposit in the System Fund is any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on the Parity Obligations, such payments shall be made on a pro rata basis.
- (iii) Other Uses of System Net Revenues Permitted. The District shall manage, conserve and apply moneys in the System Fund in such a manner that all deposits required to be made under the Installment Sale Agreement and the documents authorizing the issuance of any Parity Obligations will be made at the times and in the amounts so required. Subject to the foregoing sentence, the District may at any time and from time to time use and apply moneys in the System Fund for (a) the payment of the Operation and Maintenance Costs, (b) the acquisition and construction of improvements to the System, (c) the prepayment of the Installment Payments, (d) the payment of any amounts due and owing to the United States of America in accordance with the Trust Agreement, or (e) any other lawful purpose of the District.

Rate Stabilization Fund

The District is authorized under the Installment Sale Agreement to maintain a rate stabilization fund or account (a "**Rate Stabilization Fund**"). Amounts in the Rate Stabilization Fund may be credited to the District in order to comply with the Parity Debt tests and the rate covenants, as described below.

The District may, during or within 210 days after a Fiscal Year, deposit surplus System Net Revenues attributable to such Fiscal Year (on the basis of Generally Accepted Accounting Principles) into the Rate Stabilization Fund. The District may at any time withdraw moneys from the Rate Stabilization Fund. System Net Revenues deposited into the Rate Stabilization Fund shall not be taken into account as System Net Revenues for purposes of the calculations required by the covenants in this Agreement relating to System 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 System Revenues for purposes of the calculations required by such covenants in such Fiscal Year; provided, that for purposes of the System Net Revenues coverage calculation required under this Agreement, the amount of System Net Revenues before any credits for withdrawals from the Rate Stabilization

Fund may not be less than 100% of Maximum Annual Debt Service for outstanding Parity Obligations and the proposed additional Parity Obligations.

No Reserve Fund

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

Parity Obligations

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

- No Event of Default has occurred and is continuing; and
- System 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 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 Obligations then outstanding (including the Parity Obligations then proposed to be issued).

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

- (i) An allowance for System Net Revenues from any additions or improvements to or extensions of the System to be financed from the proceeds of such Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12 month period selected by the District under the Installment Sale Agreement, were not in service, all in an amount equal to the estimated additional average annual System Net Revenues to be derived from such additions, improvements and extensions during the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by a certificate of a District Representative.
- (ii) An allowance for System Net Revenues arising from any increase in the charges made for service from the System 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 12 month period, was not in effect, in an amount equal to the total amount by which the System Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or such 12 month period, all as shown by a certificate of a District Representative.

For a definition of Maximum Annual Debt Service, see APPENDIX A.

Senior and Subordinate Obligations

Under the Installment Sale Agreement, the District may not issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the System Revenues, or the System Net Revenues over the Installment Payments. Nothing, however, is intended or may be construed to limit or affect the ability of the District to issue or incur (a) Parity Obligations as described above, or (b) obligations which are either unsecured or which are secured by an interest in the System Net Revenues which is junior and subordinate to the pledge of and lien upon the System Net Revenues established in the Installment Sale Agreement.

Rate Covenants

The District has agreed in the Installment Payment Agreement to the following rate covenants:

System Net Revenues Covenant. The District agrees, at all times while any of the Installment Payments remain unpaid, to the maximum extent permitted by law, to fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Net Revenues during such Fiscal Year equal to at least 120% of the Annual Debt Service in such Fiscal Year; provided, an adjustment will be made to the amount of System Net Revenues for deposits to or withdrawals from the Rate Stabilization Fund.

System Revenue Covenant. The District agrees, at all times while any of the Installment Payments remain unpaid, to the maximum extent permitted by law, to fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Net Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year:

- (i) All current Operation and Maintenance Costs.
- (ii) The Installment Payments and the payments for the other Parity Obligations and the payment of the Subordinate Obligations as they become due and payable.
- (iii) All payments required for compliance with the terms of the Installment Sale Agreement.
- (iv) All payments to meet any other obligations of the District which are charges, liens or encumbrances upon, or payable from, the System Net Revenues.

Additional Covenants

The District makes certain additional covenants in the Installment Sale Agreement including covenants relating to maintenance and modification of the System, maintenance of insurance and operation of the System. See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Limited Obligation

The District's obligation to pay the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement are a special obligation of the District limited solely to the System Net Revenues and other amounts pledged by the Installment Sale Agreement. Under no circumstances is the District required to advance moneys derived from any source of income other than the System Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments and such other amounts, nor are any other funds or property of the District be liable for the payment of the Installment Payments and any other amounts coming due and payable.

THE DISTRICT

General

The 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 11,923 active accounts located in and around the City, which has a population of about 27,000. The total population within the District's service area is 33,476. 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 150 miles northeast of Los Angeles. The District owns, operates and maintains a water supply, storage, and distribution system (referred to herein as the System).

The District has a staff of approximately 30 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.

Governance and Management

The District is governed by a five-member Board of Directors whose members are elected to four-year overlapping terms. The current board members are:

Board Member	Title	Next Election
Ronald R. Kicinski	President	November 2020
Charles D. Griffin	Vice President	November 2018
Peter E. Brown	Director	November 2018
Charles F. Cordell	Director	November 2020
Donald J. Cortichiato	Director	November 2020

A General Manager, appointed by the board, is responsible for day-to-day management of the District. The District's current General Manager, Don Zdeba, has almost 40 years of prior experience in supervision and management. Before being appointed General Manager, Mr. Zdeba worked 35 in the mining industry, most recently as Manager of Mining for Searles Valley Minerals. His educational background is in geology with a Bachelor of Science degree from the University of Michigan.

[The rest of the Management team consists of Tyrell Staheli, Chief Financial Officer who has 12 years of finance and administration experience; Renee Morquecho, Chief Engineer, who has _____ years of experience in storm water and drinking water works; and Jason Lillion, Operations Manager, who has _____ of supervisory experience in different operations assignments within the District.]

Service Area

The District provides water service to the City of Ridgecrest 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. The District is located about 150 miles northeast of Los Angeles. 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. There is partial overlap of these federal lands; together they occupy about 12 square miles of the District's total service area.

Water System

System Facilities. The District's water system facilities include 10 active production wells with a supply capacity of 17.0 million gallons per day (mgd). Over the past few years, total annual water consumption has averaged about 6.3 mgd, amounting to approximately 6,500 acre feet ("AF") per year. An acre-foot is equal to approximately 325,851 gallons of water. All wells are currently functioning and in service. There are 16.8 million gallons of storage capacity provided by 11 above ground tanks. The District also has 7 booster facilities, 8 emergency standby generators for wells, and 2 emergency standby generators for boosters. The distribution system contains about 73 miles of 12-inch diameter or larger pipe and about 145 miles of less than 12-inch diameter pipe.

Source of Water Supply. The District produces 100% of its water from local groundwater basin that it overlies. This basin is known as the Indian Wells Valley Groundwater Basin, which is designated basin number 6-54 in Department of Water Resources Bulletin No. 118. Other local water agencies and mutual water companies also draw groundwater from this basin. The Indian Wells Valley Groundwater Basin is one of the most studied basins in the State. This is a result, in part of the United States 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 basin, and has committed to investing additional funds to develop additional information on the basin and its water supplies. A 1993 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 aquifer/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 aquifer/basin. Annual production from all local agencies that draw from the basin (including, but not limited to the District) is estimated at [29,000 acre feet per year] [CONFIRM].

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 basin. In general, water that is lower down in the aquifer/basin has more TDS than water that is at the top of the aquifer/basin. Accordingly, if the water level in the basin declined substantially, the District's costs to lift and treat water from the basin would increase.

For a description of the impact of the recent drought on water supply, see "– Water Usage – Recent Drought Conditions" below. For a description of the activities being undertaken with respect to sustainable management of the basin, see "– Water System Sustainable Groundwater Management Act (SGMA)" below.

Sustainable Groundwater Management Act (SGMA). On September 16, 2014, Governor Brown signed Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or "**SGMA**") into law. The SGMA constitutes a legislative effort to regulate groundwater on a statewide basis. At its core, the SGMA added Part 2.74 to Division 6 of the California Water Code ("**Part 2.74**"), under which the California Department of Water Resources ("**DWR**") was required to designate groundwater basins in the State as high, medium, low or very low priority for purposes of groundwater management by January 31, 2015. Part 2.74 also provided that by January 31, 2017, local water supply, water

management or land use agencies may decide to 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. Each GSA is tasked with submitting a Groundwater Sustainability Plan for DWR’s approval by January 31, 2020. Alternatively, groundwater producers can submit a groundwater management plan under Part 2.75 of Division 6 of the California Water Code or an analysis for DWR’s review demonstrating that a groundwater basin has operated within its sustainable yield for at least 10 years (however, this alternative does not apply to the Indian Wells Valley Groundwater Basin).

Indian Wells Valley Groundwater Basin is listed as a “high priority” basin for purposes of SGMA, based on a chronic decline in groundwater levels, albeit relatively small, on an average of one half foot to one foot annually. The designation of critically over-drafted means that mechanisms will need to be put into place to recharge water currently being extracted from the Basin. In 2016, in response to continuing statewide drought conditions, the State Water Resources Control Board required urban water suppliers to self-certify they had adequate supplies to meet customer demands for the next three years, assuming drought conditions continued. Using data from a 1993 U.S. Bureau of Reclamation report, the District submitted a surplus of 2,464,600 acre-feet remaining in the top 300’ of the aquifer. With annual pumping from the aquifer estimated at about 25,000 acre-feet per year, the District qualified for a zero conservation standard. The Board of Directors voted in June 2016 to submit a voluntary conservation standard of 20% and the District has achieved a 19.7% conservation rate through September 2018.

The Indian Wells Valley Groundwater Authority (the “**Groundwater Authority**”) was formed on July 15, 2016 pursuant to a Joint Exercise of Powers Agreement among the District, the County, the City, the County of Inyo, and the County of San Bernardino, all of which have an interest in the Indian Wells Valley 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 basin in accordance with SGMA requirements. In 2018, the Groundwater Authority imposed a fee equal to \$30 per acre feet of groundwater extracted from the basin on all users of the basin, except for “de minimis” users and the federal government. This fee will provide funds for the Groundwater Authority to create a GSP for the basin. The GSP is due by January 30, 2020, and the District believes the Groundwater Authority is on track to meet that deadline. However, the District cannot at this time predict the impact that the GSP will have on its costs.

Regulations, Licenses and Permits. The applicable drinking water standards for the System are provided in the California Domestic Water Quality and Monitoring Regulations, Title 22 of the California Administrative Code. These regulations incorporate the requirements of the U.S. Environmental Protection Agency in conformance with the Safe Drinking Water Act (PL 93-523). The standards specify water quality sampling frequencies and location as well as maximum concentrations of chemical constituents and are continuously revised and amended.

As part of these regulations, the District operates and is governed under a variety of licenses and permits that are issued by regulatory agencies. All of the District’s permits and licenses are current and the District is in compliance with all of the permits.

The District has historically produced and purveyed water that tests well below the regulated allowance for arsenic. As of January 1, 2006, federal regulations reduced the allowable arsenic level for potable water from 50 parts per million to 10 parts per million. While six of the District’s wells met the new federal levels, four did not. The District constructed arsenic treatment

facilities with financing from the 2009 Agreement to treat the water from these four wells, and is now in compliance with respect to all water produced.

District Customers

The District provides water service to approximately 11,923 customers. Residential customers account for about 92% of the total number of accounts. The following table shows a history of water customers by fiscal year for the past five years.

Table 1
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018
Number of Connections by Customer Class

	2013-14	2014-15	2015-16	2016-17	2017-18
Single-Family Residential	10,555	10,695	10,729	10,994	10,937
Multi-Family Residential	337	340	342	369	345
Commercial/Institutional	514	522	519	592	527
Public	113	114	114	120	114
Total	11,519	11,671	11,704	12,075	11,923

Source: Indian Wells Valley Water District.

The following table shows service charge revenues by customer class for the past five fiscal years.

Table 2
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018
Revenues by Customer Class

	2013-14	2014-15	2015-16	2016-17	2017-18
Single-Family Residential	\$6,227,904	\$5,982,305	\$5,604,351	\$6,039,864	\$6,416,038
Multi-Family Residential	706,250	693,012	648,936	644,127	695,455
Commercial/Industrial/Public	1,506,009	1,357,396	1,146,516	1,341,575	1,418,823
Total	\$8,440,163	\$8,032,713	\$7,399,803	\$8,025,566	\$8,530,316

Source: Indian Wells Valley Water District.

The following table lists the District's ten largest customers in fiscal year 2017-18 along with their annual water charges and percent of total annual service charge revenues.

Table 3
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018
Largest Customers by Revenue
Fiscal Year 2017-18

Customer	Description	2017-18 Service Charges	% of Total Service Charges⁽¹⁾
Kern Community College District	Governmental	\$240,045	2.81%
Ridgecrest Regional Hospital	Health Care Provider & Service	70,965	0.83
Green Acre Estates	Mobile Home Park	43,113	0.51
Santiago Ridgecrest Estates	Mobile Home Park	39,424	0.46
Chila Prop Corp.	Mobile Home Park	34,968	0.41
Ridgecrest Housing Investors	Apartment Complex	32,067	0.38
Kern County Parks	Governmental	30,862	0.36
City of Ridgecrest	Governmental	26,755	0.31
Ridgecrest TC	Mobile Home Park	24,705	0.29
Desert Empire Fair	Fairgrounds & Events Center and RV Park	24,238	0.28
Total		\$567,141	6.65%

(1) Total services charges for Fiscal Year 2017-18 were \$8,530,316.
Source: Indian Wells Valley Water District.

Water Usage

Water Consumption. The following table shows the District's historical water consumption by customer class. In Fiscal Year 2017-18, the District's average water usage was about 6.3 mgd, amounting to approximately 6,500 acre feet per year.

Table 4
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018
Water Consumption in Hundred Cubic Feet⁽¹⁾

Customer Category	2013-14	2014-15	2015-16	2016-17	2017-18
Single-Family Residential	2,384,322	2,135,932	1,899,076	1,925,948	2,001,093
Multi-Family Residential	262,927	251,508	234,470	219,579	233,942
Commercial/Industrial	309,951	273,003	236,039	244,434	256,334
Public	195,757	160,966	133,266	149,166	156,906
Total⁽²⁾	3,095,881	2,821,409	2,502,851	2,539,127	2,648,275

(1) One HCF equals 748 gallons.

(2) Does not include water use for construction and fire use.

Source: Indian Wells Valley Water District.

Water Loss. Historically, water production compared with water consumption in the District (known as water loss) has averaged approximately less than 4% of water production. The District experiences very few water main breaks, with most breaks being located at customers' homes (with very little water loss associated therewith). The average age of the water pipes in

the System is approximately 40 years. In addition, the District recently purchased a neutral-output-discharge elimination system (“NO-DES”) truck with 3.9 million gallons of capacity, which allows the District to flush its water lines without discharging water.

Recent Drought Conditions. In recent years, the State has faced significant water shortfalls, and on January 17, 2014, Governor Brown (the “**Governor**”) declared a state of drought emergency, calling on Californians to conserve water. As part of his declaration, the Governor directed State of California officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Thereafter, the California State Water Resources Control Board issued a statewide notice of water shortages and potential future curtailment of water right diversions. On April 1, 2015, the Governor issued an executive order mandating certain conservation measures including a requirement that the California State Water Resources Control Board impose restrictions to achieve a statewide 25% reduction in urban water usage through February 28, 2016. On May 9, 2016, the Governor issued an additional executive order directing the California State Water Resources Control Board to permanently prohibit practices that waste potable water such as hosing off sidewalks, driveways and other hardscapes. The California State Water Resources Control Board subsequently imposed such restrictions which have been extended several times, including most recently on February 8, 2017.

On April 7, 2017, the Governor issued an executive order lifting the drought emergency in all of the State of California except for Fresno, Kings, Tulare and Tuolumne counties. Pursuant to the April 7, 2017 executive order, the Governor directed the California State Water Resources Control Board to, among other things, continue to develop permanent prohibitions on wasteful water use and adopt urban water use efficiency standards as directed in the Governor’s May 9, 2016 executive order, that include indoor use, outdoor use, leaks as well as performance measures for commercial, industrial and institutional water use.

In an effort to satisfy the directives issued by the Governor in his April 7, 2017 executive order, the Department of Water Resources, the California State Water Resources Control Board, the California Public Utilities Commission, the California Department of Food and Agriculture and California Energy Commission (collectively, the “**EO Agencies**”) issued a report entitled, *Making Water Conservation a California Way of Life - Implementing Executive Order B-37-16* (the “**Conservation Report**”). Pursuant to the Conservation Report, the EO Agencies have developed actions and recommendations to achieve four primary objectives: (1) use water more wisely; (2) eliminate water waste; (3) strengthen drought resilience; and (4) improve agricultural water use efficiency and drought planning. Certain of the actions proposed in the Conservation Report to achieve the forgoing objectives include, new water use targets starting in 2018, permanent monthly reporting, water use prohibition on wasteful practices and mandatory water shortage contingency plans. The EO Agencies have released proposed legislation to implement the actions and recommendations in the Conservation Report. Information regarding such proposed legislation and a copy of the Conservation Report may be obtained at www.water.ca.gov/wateruseefficiency/conservation/. *The reference to this Internet website is provided for reference and convenience only. The District does not take any responsibility for the continued accuracy of the foregoing internet address or for the accuracy, completeness or timeliness of information on such website, and such information is not incorporated herein by this reference.*

As shown in Table 2 above, overall revenues declined in the District in Fiscal Year 2014-15 and 2015-16, as a result of conservation efforts undertaken by customers in response to the drought conditions. However, by Fiscal Year 2017-18, revenues were at levels similar to pre-drought periods. The District does not anticipate that the restrictions imposed by the California State Water Resources Control Board and the restrictions proposed in the Conservation Report will have a material adverse effect on the System's revenues in the future.

Water Service Charges

Current Water Service Charges. The District's rates and charges are established by its governing board and are not subject to review or approval by any other agency.

District customers are billed monthly for water service. 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.

The fixed charges account for approximately 66.2% and the metered quantity charges account for approximately 33.8% of total service charge revenues. The following table summarizes the District's current rate schedule.

Table 5
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018
Current Water Rate Schedule
As of July 1, 2018

Monthly Ready-to-Serve Charge and Arsenic Charge

<u>Meter Size</u>	<u>Ready-to-Serve</u>	<u>Arsenic Charge</u>	<u>Total Fixed Charge</u>
5/8-inch	\$30.48	\$10.93	\$41.41
3/4-inch	30.48	10.93	41.41
1-inch	50.80	18.22	69.02
1 1/2-inch	101.60	36.45	138.05
2-inch	162.56	58.32	220.88
3-inch	325.11	116.64	441.75
4-inch	507.99	182.24	690.23
6-inch	1,015.97	364.49	1,380.46
8-inch	1,625.55	583.18	2,208.73

Metered Quantity Charge For Single Family Homes⁽¹⁾

<u>Tier</u>	<u>Rate Per HCF</u>	<u>HCF Per Tier</u>
1	\$0.56	0 – 7
2	0.88	7.01 – 24
3	2.39	24.01 – 45
4	4.65	45 +

Elevation Zone Charge

<u>Zone</u>	<u>Zone Charge Per HCF</u>
A	\$0.000
B	0.139
C	0.276
D	0.415
E	0.553

(1) Metered quantity charge shown for single-family homes, regardless of meter size. Non-single-family rates (commercial, public and master-metered) are billed by tier as well as size of meter. One hcf equals 100 cubic feet (or approximately 748 gallons).

Source: Indian Wells Valley Water District.

Projected Water Services Charges. The District has hired Stantec Consulting & Hildebrand Consultant to create a rate study, dated as of [____], 2018 (the “**2018 Rate Study**”). The 2018 Rate Study has evaluated the District’s current water service charges and proposed certain changes thereto. These changes consist primarily of a modification of the tier threshold for Tier 2 and three 3% increases in rate revenue on Jan. 1, 2019, July 1, 2019 and July 1, 2020. [CONFIRM] In addition, a new “account charge” is created as part of the base service charge.

With the new rates, the fixed charges are anticipated to account for approximately 60.3% and the metered quantity charges are anticipated to account for approximately 39.7% of total service charge revenues.

The Board of Directors of the District is anticipated to hold a public hearing on the increased rates set forth in the 2018 Rate Study as required by Proposition 218 on December 10, 2018. The District's projected water services charges are set forth in the following table.

Table 6
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018
Projected Water Rate Schedule
Anticipated as of January 1, 2019

Monthly Ready-to-Serve Charge, Account Charge and Arsenic Charge

<u>Meter Size</u>	<u>Account Charge</u>	<u>Ready-to-Serve</u>	<u>Arsenic Charge</u>	<u>Total Fixed Charge</u>
3/4-inch	\$4.47	\$23.22	\$10.39	\$38.08
1-inch	4.47	38.78	17.35	60.60
1 1/2-inch	4.47	77.32	34.60	116.39
2-inch	4.47	123.76	55.38	183.61
3-inch	4.47	247.76	110.86	363.09
4-inch	4.47	387.08	173.20	564.75
6-inch	4.47	773.92	346.30	1,124.69
8-inch	4.47	1,238.32	554.10	1,796.89
10-inch	4.47	1,780.15	796.54	2,581.16

Metered Quantity Charge For Single Family Homes⁽¹⁾

<u>Tier</u>	<u>Rate Per HCF</u>	<u>HCF Per Tier</u>
1	\$0.74	0 – 9
2	1.24	9.01 – 24
3	2.39	24.01 – 45
4	4.92	45 +

Elevation Zone Charge

<u>Zone</u>	<u>Zone Charge Per HCF</u>
A	\$0.00
B	0.21
C	0.42
D	0.63
E	0.84

(1) Metered quantity charge shown for single-family homes, regardless of meter size. Non-single-family rates (commercial, public and master-metered) are billed by tier as well as size of meter.

Source: Indian Wells Valley Water District

Source: 2018 Rate Study.

Billings and Collections; Delinquencies

An unpaid bill becomes delinquent 25 days after being billed. The District assesses a delinquent fee on unpaid amounts that remain outstanding at the time of the subsequent billing, typically 30 days later, unless the customer has entered into a payment arrangement with the District and is meeting the arrangement terms. If the amount past due exceeds \$50, a shut off warning notice is posted on the customer's next bill. If the customer fails to pay the past due balance on this bill, and the balance remains unpaid 10 days after the subsequent bill is issued, an additional charge is levied and a final notice is generated for delivery to the customer's premises. If payment is not made within 48 hours after the notice is delivered, the District has the authority to terminate service.

Customers who voluntarily close their accounts are sent a final bill. Failure to make payment within 60 days typically results in the account being sent to a collection agency. The account balance is then written off by the District.

Over the past five years, uncollectible accounts have annually averaged \$49,124 or 0.44% of water sales. To restore service, a customer would have to pay the outstanding balance, all delinquent fees, plus a cash deposit to provide the District with additional payment security.

Connection Fees

New customers connecting to the water system 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.

Regional Water Rate Survey

The following table shows monthly single family residential water charges for the District compared to a number of other regional agencies. The rates shown are based on monthly usage of 15 hundred cubic feet of water. Rates shown for the District do not include potential elevation zone charges.

Table 7
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018
Regional Monthly Single Family Residential Water Service Charges
Agency Location Monthly Charge
As of October 2018

Agency	Location	Average Monthly Bill ⁽¹⁾
Hi-Desert Water District	Yucca Valley	\$106.25
Bighorn-Desert View Water Agency	Yucca Valley	85.68
So. California Water Company (Golden State Water Agency)	Morongo Valley	80.18
Apple Valley Ranchos Water Company (Liberty Utilities)	Apple Valley	93.34
Joshua Basin Water District	Joshua Tree	92.96
Mariana Ranchos County Water District	Apple Valley	85.20
Palmdale Water District	Palmdale	50.48
Twentynine Palms Water District	Twentynine Palms	69.05
Indian Wells Valley Water District (current)	Ridgecrest	52.37
Indian Wells Valley Water District (proposed)	Ridgecrest	52.18
Victorville Water District	Victorville	43.06
LA County Waterworks District No. 40	Lancaster	41.06
Hesperia Water District	Hesperia	37.58

(1) Based on monthly consumption of 15 hundred cubic feet (HCF) of water.
Source: Indian Valley Water District survey conducted October 2018.

Long-Term Obligations

As of June 30, 2018, the District had three outstanding debt obligations payable from the System Net Revenues. These three outstanding obligations consisted of the following:

- State of California – Safe Drinking Water Act Loan (Proposition 55): A total of \$532,865 of principal remained outstanding as of June 30, 2018. Loan payments were due semi-annually, with total debt service equal to approximately \$280,000 per year. The Drinking Water Act Loan will be paid in full as of October 2020.
- 2009 Agreement: A total of \$16,965,000 of principal remained outstanding as of June 30, 2018. Loan payments are due semi-annually through October 1, 2039, with total debt service equal to approximately \$1,300,000 per year.
- 2016 Agreement: A total of \$7,646,789 of principal remained outstanding as of June 30, 2018. Loan payments are due semi-annually through April 1, 2036, with total debt service equal to approximately \$577,177 per year.

The Safe Drinking Water Act Loan (Proposition 55) was paid off in full by the District in October 2018, using a combination of funds-on-hand and the balance in the reserve fund

established therefor. The 2009 Agreement will be defeased and refinanced using the proceeds of the Certifications. Accordingly, upon the execution and delivery of the Certificates, the District will have no obligations outstanding that are payable from the System Net Revenues on a basis that is superior to, or on a parity with, the District's obligation to make the Installment Payments other than the 2016 Agreement which will remain outstanding on a parity basis.

Capital Improvement Program

The District estimates that it will invest up to \$17.7 million in capital improvements to the System over the five-year period beginning July 1, 2018 and ending June 30, 2023, and approximately \$28.1 million over the ten-year period beginning July 1, 2018 and ending June 30, 2028. The improvements are needed to maintain system reliability, serve new customers, and refurbish the System. A portion of these improvements is expected to be financed by the Certificates (\$14.0 million*), with the remainder expected to be financed by the District's rates and charges and funds on-hand. An estimate of the capital improvement program over the five fiscal years 2018-19 through 2022-23 follows.

Table 8
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018
Capital Improvement Program Through Fiscal Year 2022-23

CIP Category	2018-19	2019-20	2020-21	2021-22	2022-23
Water Supply	\$2,220,000	\$--	\$10,000	\$--	\$43,000
Water Distribution	4,184,308	6,869,662	416,500	716,500	2,159,500
General and Other	671,000	130,000	665,000	140,000	130,000
Total	\$7,075,308	\$6,999,662	\$1,091,500	\$856,500	\$2,332,500

* Preliminary; subject to change.
Source: Indian Wells Valley Water District.

Overlapping Debt Statement

Contained within the boundaries of the District are certain overlapping local agencies providing public services. Many of these local agencies have outstanding debt. The direct and overlapping debt affecting the District as of _____, 2018, is shown in the table below, a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

INDIAN WELLS VALLEY WATER DISTRICT

2018-19 Assessed Valuation: \$2,019,238,832

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 11/1/18</u>
Kern Community College District Safety, Repair and Improvement District	2.283%	\$ 2,751,149
Kern Community College District School Facilities Improvement District No.1	2.269	2,146,653
Sierra Sands Joint Unified School District	90.427	<u>17,028,206</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$21,926,008
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Kern County Certificates of Participation	2.193%	\$ 2,069,047
Kern County Pension Obligation Bonds	2.193	4,534,957
Kern County Board of Education Certificates of Participation	2.193	815,577
San Bernardino County Obligations	0.004	30,885
Kern Community College District Certificates of Participation	2.050	617,333
Kern Community College District Benefit Obligations	2.050	1,595,042
Sierra Sands Joint Unified School District General Fund Obligations	90.427	13,401,662
Indian Wells Valley Water District	100.	<u>0</u>(1)
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$23,064,503
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100. %	\$28,423,000
 COMBINED TOTAL DEBT		\$73,413,511 (2)

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2018-19 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt 1.09%

Combined Direct Debt (\$0)..... 0.00%

Combined Total Debt..... 3.64%

Ratio to Redevelopment Successor Agency Incremental Valuation (\$1,229,391,866):

Total Overlapping Tax Increment Debt..... 2.31%

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. These long-term obligations are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. The amount shown reflects the amount outstanding as of the date indicated and does not reflect the amount of authorized but unissued debt.

DISTRICT FINANCES

General

The Board of Directors has established and maintained Indian Wells Valley Water District's fiscal health by employing established, conservative financial practices. By policy, reserves have been initiated and routinely funded to provide for capital improvements, unanticipated contingencies and retirement obligations. At the close of Fiscal Year 2017-18, the District held reserves that were equivalent to approximately 159% of total annual expenses. Budgets are effectively utilized to control fiscal management and financial transactions.

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 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 for 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.

Pension System

This section contains certain information relating to California Public Employees' Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The District has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. The District does not take any responsibility for the continued accuracy of the foregoing Internet address or for the accuracy, completeness or timeliness of information on such website, and such information is not incorporated herein by this reference. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

CalPERS Plan Description. All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan (the “**Miscellaneous Plan**”), an agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Miscellaneous Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans including benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each Miscellaneous Plan are applied as specified by the Public Employee’s Retirement Law.

Employees Covered. At June 30, 2018, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	<u># of Employees</u>
Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>30</u>
Total	40

Source: Indian Wells Valley Water District.

Contributions. Section 20814(c) of the California Public Employees’ Retirement Law (“**PERL**”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The actuarially determined rate, determined by CalPERS, is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Implementation of GASB Nos. 68 and 71. In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (“**GASB Statement No. 68**”), and was subsequently amended in November 2013 by GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* (“**GASB Statement No. 71**”). The primary objective of these GASBs is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions provided by other entities.

In particular, GASB Statement No. 68 requires a state or local government employer such as the District to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer makes a

contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, GASB Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, GASB Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer that arise from other types of events. GASB Statement No. 68, as amended, requires that at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability and that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported only if it is practical to determine all such amounts. As a result of its implementation, the beginning net position of the District's Governmental Activities was reduced by approximately \$36.2 million for fiscal year 2014-15.

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions. Pension expenses each year are part of Operation and Maintenance Costs of the District and payable prior to payment of the Installment Payments and other parity obligations. At June 30, 2017, the most recent fiscal year for which data is available, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$223,955	\$ --
Differences between actual and expected experience	4,818	--
Changes in assumptions	--	(59,132)
Net differences between projected and actual earnings on plan investments	307,760	--
Net differences between actual contribution and proportionate share of contribution	--	(216,889)
Net adjustment due to differences in proportions of net pension liability	--	(207,154)
Total	<u>\$536,533</u>	<u>\$(483,175)</u>

Source: Indian Wells Valley Water District.

Recent CalPERS Actions. At its April 17, 2013 meeting, CalPERS' Board of Administration (the "CalPERS Board") approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period. The new amortization and smoothing policy was used for the first time in the June 30, 2013 actuarial valuations to set employer contribution rates for fiscal year 2015-16.

On February 18, 2014, the CalPERS Board approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. The CalPERS Board also assumed earlier retirements for Police 3% at age 50, Fire 3% at 55, and Miscellaneous 2.7% at 55 and 3% at 60, which will increase costs for those groups. As a result of these changes, rates will increase

beginning in fiscal year 2016-17 (based on the June 30, 2014 valuation) with full impact by fiscal year 2020-21.

On November 18, 2015, the CalPERS Board adopted a funding risk mitigation policy intended to incrementally lower its discount rate - its assumed rate of investment return - in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy establishes a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.5%, by at least four percentage points. CalPERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns.

On December 21, 2016, the CalPERS Board voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

Fiscal Year	Discount Rate
2018-19	7.375%
2019-20	7.250
2020-21	7.000

For public agencies like the District, the new discount rate will take effect July 1, 2018. Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act ("PEPRA") (discussed below) will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many CalPERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

More information about the funding risk mitigation policy can be accessed through CalPERS' web site at www.calpers.ca.gov/page/newsroom/calpers-news/2015/adopts-funding-risk-mitigation-policy. *The reference to this Internet website is provided for reference and convenience only. The District does not take any responsibility for the continued accuracy of the foregoing Internet address or for the accuracy, completeness or timeliness of information on such website, and such information is not incorporated herein by this reference.*

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor of the State of California signed into law PEPRA, which impacted various aspects of public retirement systems in the State of California, including the CalPERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and

(v) attempted to address other perceived abuses in the public retirement systems in the State of California. PEPRA applies to all public employee retirement systems in the State of California, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State of California law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State of California, school, city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

CalPERS has predicted that the impact of PEPRA on employees and employers in the CalPERS system will vary based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

The District is unable to predict the amount of future contributions it will be required to make to CalPERS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the CalPERS employer contributions that may be adopted in the future.

Other Post-Employment Benefits (OPEB)

Plan Description. The District provides post-employment health care benefits to all employees who retire from the District and meet certain eligibility requirements. Retirees may enroll in any plan available through CalPERS medical, dental and vision programs. The contribution requirements of plan members and the District are established and may be amended by the Board of Directors.

Funding Policy. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors. The District's annual OPEB expense is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal annual cost of the Plan plus a portion of the unfunded actuarial accrued liability (or funding excess). Any unfunded actuarial liability (or funding excess) is amortized over a period not to exceed thirty years. The current ARC rate is _____% of the annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The following table shows the components of the District's annual OPEB expense for the year ending June 30, 2017, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Changes in Net OPEB Liability as of June 30, 2017

	<u>Net OPEB Liability</u>
<u>Roll back balance at June 30, 2016</u>	\$403,939
<u>Service Cost</u>	41,320
<u>Interest on TOL</u>	91,646
<u>Employer Contributions</u>	--
<u>Employee Contributions</u>	--
<u>Actual Investment Income</u>	(97,323)
<u>Administrative Expense</u>	811
<u>Benefit Payments</u>	--
<u>Other</u>	--
<u>Net Change in 2016-17</u>	36,454
<u>Balance at June 30, 2017</u>	440,393

Source: Indian Wells Valley Water District.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and net OPEB obligation for fiscal years 2016, 2015 and 2014 were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$94,563	100%	\$403,939
2015	(6,956)	100	--
2014	(8,034)	100	--

Source: Indian Wells Valley Water District.

Funded Status and Funding Progress. The funded status of the Plan as of the June 30, 2017 actuarial valuation was as follows:

Actuarial Accrued Liability (AAL)	\$1,400,889
Actuarial Value of Plan Assets	960,496
Unfunded Actuarial Accrued Liability (UAAL)	440,393
Funded Ratio (Actuarial Value of Plan Assets/AAL)	68.6%
Covered Payroll (Active Plan Members)	2,385,682
UAAL as a Percentage of Covered Payroll	18.5%

Source: Indian Wells Valley Water District.

Investment Policy

The investment policies and practices of the District are established by Resolution 95-15, which was adopted on December 11, 1995. The investment policy is reviewed annually by the Board of Directors.

The Investment Policy provides that no investment, other than a security underlying a repurchase or reverse repurchase agreement, may have a term remaining to maturity in excess

of five years without specific approval of the Board of Directors, and prohibits investment in mortgage-backed securities, inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages or any security that could result in zero interest accrual if held to maturity.

Historical Revenues, Expenses and Debt Service Coverage

The following table shows a recent history of annual revenues, expenses and debt service coverage. The District has never been out of compliance with its debt service coverage covenants.

Table 9
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018
Debt Service Coverage History

	2013-14 Audited ⁽³⁾	2014-15 Audited	2015-16 Audited ⁽⁴⁾	2016-17 Audited	2017-18 Unaudited
System Revenues					
Water Sales	\$10,949,072	\$9,690,315	\$9,372,617	\$10,055,597	\$9,763,108
Other Operating Revenues	353,556	371,460	568,684	1,396,671	726,100
Non-Operating Revenues ⁽¹⁾	310,963	139,212	175,556	270,673	971,062
Total Revenues	11,613,591	10,200,987	10,116,867	11,722,941	11,460,270
Operation & Maintenance Costs⁽²⁾					
Pumping Plant	1,755,969	1,226,358	1,084,505	1,033,348	964,667
Arsenic Plant	583,815	350,420	431,483	306,722	251,728
Transmission and Distribution	1,410,890	1,340,480	1,319,299	1,583,369	1,429,129
Engineering	328,313	325,845	386,537	316,532	319,752
Customer Service	366,553	383,948	391,975	380,637	399,804
Field Services	412,068	452,447	315,776	464,685	519,653
General and Administrative	1,585,467	1,877,239	2,103,887	2,255,154	2,534,462
Legislative	77,611	116,656	103,875	125,942	131,028
Total O&M Expenses	6,520,686	6,073,393	6,137,337	6,466,389	6,550,223
System Net Revenues	\$5,092,905	4,127,594	3,979,530	5,256,552	4,910,047
Debt Service					
State of California Loan (Prop. 55) ⁽⁵⁾	279,519	279,519	279,519	279,519	279,519
2009 Agreement	1,313,538	1,310,388	1,309,888	1,308,788	1,304,963
2012 Refunding Loan ⁽⁶⁾	544,624	544,624	544,624	544,624	544,624
2016 Agreement	--	--	42,192	329,402	577,177
Total Debt Service	2,137,680	2,134,530	2,176,222	2,462,332	2,706,283
Debt Service Coverage	2.38	1.93	1.83	2.13	1.81
Net Income After Debt Service	\$2,955,225	\$1,993,064	\$1,803,308	\$2,794,220	\$2,203,764

(1) Includes Interest and Assessment Income, Grant Income, Rental and Miscellaneous Income, and Capacity Facility Fees.

(2) Excludes depreciation and amortization expenses.

(3) As restated. For more information, reference is made to Note 12 of the District's Annual Financial Report for the Fiscal Year Ended June 30, 2015.

(4) As revised.

(5) State of California Loan was paid off prior to maturity by the District in October 2018.

(6) 2012 Refunding Loan matured, in accordance with its terms, in Fiscal Year 2017-18.

Source: Indian Wells Valley Water District.

Projected Revenues, Expenses and Debt Service Coverage

The following table shows annual projected revenues, expenses and debt service coverage for a five-year period ending in Fiscal Year 2022-23. The projections are subject to a number of assumptions and estimates, as detailed below. While the District believes the estimates and projections shown below are reasonable, no assurance can be given that the results will be achieved.

Table 10
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018
Projected Revenues, Expenses, and Debt Service Coverage

	2018-19 Budgeted	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected
System Revenues					
Water Sales ⁽¹⁾	\$ 10,101,000	\$ 10,568,000	\$ 10,892,000	\$ 11,228,000	\$ 11,574,000
Other Operating Revenues	407,000	407,000	407,000	407,000	407,000
Non-Operating Revenues ⁽²⁾	352,000	355,000	364,000	374,000	380,000
Total Revenues	10,860,000	11,330,000	11,663,000	12,009,000	12,361,000
Operation & Maintenance Costs⁽³⁾					
Personnel Salaries	2,503,000	2,640,000	2,785,000	2,939,000	3,100,000
Employee Benefits	1,205,000	1,253,000	1,303,000	1,355,000	1,409,000
Professional Services	1,115,000	1,149,000	1,183,000	1,219,000	1,255,000
Equipment	169,000	174,000	179,000	185,000	190,000
Energy & Utilities	433,000	446,000	459,000	473,000	487,000
Misc. Operating Costs	1,101,000	1,134,000	1,168,000	1,203,000	1,239,000
Chemicals	95,000	98,000	101,000	104,000	107,000
Total O&M Expenses	6,621,000	6,894,000	7,178,000	7,478,000	7,787,000
System Net Revenues	\$ 4,239,000	\$ 4,436,000	\$ 4,485,000	\$ 4,531,000	\$ 4,574,000
Debt Service					
State of California Loan (Prop. 55) ⁽⁴⁾	240,463	--	--	--	--
2009 Agreement	879,669	--	--	--	--
2016 Agreement	577,177	577,177	577,177	577,177	577,177
2018 Agreement*	611,924	1,930,225	1,929,425	1,917,625	1,915,225
Total Debt Service*	2,309,233	2,507,402	2,506,602	2,494,802	2,492,402
Debt Service Coverage*	1.84	1.77	1.79	1.82	1.84
Net Income After Debt Service*	\$1,929,767	\$1,928,598	\$1,978,398	\$2,036,198	\$2,081,598

* Preliminary; subject to change.

(1) Water Sales assumes implementation of new rate structure, including rate increases of 3.0% on January 1, 2019 and July 1, 2019, 2020, 2021 and 2022. See "THE DISTRICT – Water Service Charges."

(2) Includes Interest and Assessment Income, Grant Income, Rental and Miscellaneous Income, and Capacity Facility Fees.

(3) Excludes depreciation and amortization expenses. Assumes Personnel Salaries increase 5.5% annually, Employee Benefits increase 4.0% annually, and all other categories of Operations and Maintenance Costs increase 3.0% annually.

(4) State of California Loan was paid off prior to maturity by the District in October 2018.

Source: Indian Wells Valley Water District; Underwriter.

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Certificates.

Limited Obligation

The District's obligation to make Installment Payments is a special obligation of the District payable solely from System Net Revenues and other funds provided for in the Installment Sale Agreement. The District has not agreed to levy any form of taxation to pay the Installment Payments. The obligation of the District to pay Installment Payments does not constitute a debt or indebtedness of any City, the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

Demand and Usage

There can be no assurance that the local demand for water provided by the System will continue according to historical levels. See "THE DISTRICT – Water Usage." Reductions in the level of demand could require an increase in rates or charges in order to produce System Net Revenues sufficient to comply with the District's rate covenants in the Installment Sale Agreement. Such rate increases could increase the likelihood of nonpayment, and could also further decrease demand, although studies have shown that water demand is price inelastic.

In addition, drought conditions and voluntary or mandatory conservation measures could decrease usage of the services of the System. See "THE DISTRICT – Water Usage" for a description of existing restrictions on water usage. Reduction in usage could require an increase in rates or charges in order to produce System Net Revenues sufficient to comply with the District's rate covenants, particularly the rate covenants described in "SECURITY FOR THE CERTIFICATES – Rate Covenants."

Expenses

There can be no assurance that Operation and Maintenance Costs will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses, drought conditions requiring new wells and increased regulatory requirements would reduce System Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenants. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

Future Parity Debt

Although the District has covenanted not to issue or incur additional obligations payable from System Net Revenues on a basis that is senior to the Installment Sale Agreement, the Installment Sale Agreement permits the issuance by the District of certain indebtedness which may have a lien upon the System Net Revenues which is on a parity basis to the lien which secures the Installment Payments and the Certificates.

These coverage tests involve, to some extent, projections of System Net Revenues. If such indebtedness is issued, the debt service coverage for the Certificates will be diluted below what it otherwise would be subject to under the coverage tests. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized

subsequent to the date of such projections. If such assumptions are not realized, the amount of future System Net Revenues may be less than projected, and the actual amount of System Net Revenues may be insufficient to provide for the payment of the Certificates and such additional indebtedness.

Threats to Water Supply

The District receives 100% of its water from the Indian Wells Valley Groundwater Basin. During the recent drought in the State, the water level in the Indian Wells Valley Groundwater Basin dropped, but not in a manner that significantly impacted either the amount of water that could be extracted by the District or the quality of the water. There can be no guarantee that drought conditions will not return in the future, resulting in decreased water supply from the groundwater basin. In addition, the District cannot predict what impact SGMA will have on the Indian Wells Valley Groundwater Basin, and the District's ability to draw sufficient water to meet customer's needs at the same prices at which it does so currently.

Although, historically, the District's water supply has been high quality, the biggest potential future threat 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 basin. In general, water that is lower down in the aquifer/basin has more TDS than water that is at the top of the aquifer/basin. Accordingly, if the water level in the basin declined substantially, the District's costs to lift and treat water from the basin would increase.

Natural Disasters

The District, like all southern California communities, is likely to be subject to unpredictable seismic activity, fires or floods. If there were a severe seismic, flood or fire event in the District, there could be substantial damage to and interference with the District, including the System, which could affect the District's ability to pay principal and interest with respect to the Certificates.

Seismic Activity. The District is not located in the immediate vicinity of any known major faults. Although an earthquake could potentially impact some or all District assets, the cost of repairing the District's distribution systems (i.e., system piping) as a result of earthquake damage is likely to be negligible. Past seismic events have been relatively minor with the District avoiding damage to any of its infrastructure.

In addition, all reservoirs constructed after 1988 are assumed to be resistant to earthquake due to the seismic requirements of the 1988 Uniform Building Code. All reservoirs built prior to 1988 are assumed to require 100% reconstruction in the event of an earthquake resulting in a peak ground acceleration of 0.3g. There are six (6) District reservoirs that were constructed prior to 1988.

Flooding Hazards. Portions of the District lie in 100-year floodplains. The District utilized FEMA's *Flood Insurance Rate Map (FIRM)* to determine which of the District's assets lie within a 100-year flood plain. A portion of the District's assets within a 100-year flood plain are constructed underground and would experience negligible damage in the event of a large-scale flood. The District's reservoirs are not considered to be potentially susceptible to flooding because all of the reservoirs are located in elevated locations.

Fire Hazards. The District, like all California communities, may be subject to wildfires. However, any fires would very likely be small in scale, infrequent, and managed due to the lack of significant combustible fuel to burn in the desert environment.

Articles XIII C and XIII D of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State of California Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related “fee” or “charge,” which is defined 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 user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State of California Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State of California Constitution. The amendments to Article XIII A limit the ability of the State of California Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the State of California Legislature. Proposition 26’s amendments to Article XIII C broadly define “tax,” but specifically exclude, among other things:

- “(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.
- ...
- (6) A charge imposed as a condition of property development.
- (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.”

Property-Related Fees and Charges. Under Article XIII D, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIII D, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service

attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question. Article XIID is the basis for the limitations on the use of System Net Revenues described in “SECURITY FOR THE CERTIFICATES – System Net Revenues.”

Initiative Power. In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the State of California Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Articles XIIC and XIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal.4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno’s petition for review of the Court of Appeal’s decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency’s rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency’s charges for ongoing water delivery are “fees and charges” within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also “fees” within the meaning of Article XIIC’s mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency’s water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Articles XIII C and XIII D and the District's Rates and Charges. The District's current water rates were adopted following notice to property owners and a public hearing held at least 45 days after the notice had been mailed, in compliance with the *Bighorn* decision. The District is currently working with a consultant on a comprehensive cost of service and rate study to determine revenue requirements for its operations and related rates needed for future fiscal years. The Board of Directors of the District is anticipated to consider adopting the rates proposed in response to such study on December 10, 2018. See "THE DISTRICT – Current Water Rates."

The District believes its water rates and charges do not constitute "taxes" under Article XIII C as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIII C, they are "property-related fees imposed in accordance with the provisions of Article XIII D" (and are also charges for a "property-related service" as defined in subsection 2(g) of Article XIII D) and because, as described in subsection 1(e)(2) of Article XIII C, they are charged for water service, "a specific government service or product provided directly to the payor that is not provided to those not charged."

The District will continue to comply with the provisions of Articles XIII C and XIII D in connection with future rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIII C and Article XIII D in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the District's rates and charges, although it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIII C and Article XIII D to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for utility service, or to call into question previously adopted utility rate increases.

Limited Recourse on Default

If the District defaults on its obligation to make Installment Payments, the Trustee, as assignee of the Corporation, has the right to accelerate the total unpaid principal amounts 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 System Net Revenues to pay the accelerated Installment Payments.

Limitations on Remedies; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Change in Law

In addition to the other limitations described in this Official Statement, the State of California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the State of California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the System Net Revenues and adversely affecting the security of the Certificates. See also “– Loss of Tax Exemption” below.

Loss of Tax Exemption

As discussed in this Official Statement under the caption “TAX MATTERS,” interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were issued, as a result of future acts or omissions of the District in violation of its covenants in the Installment Sale Agreement or Trust Agreement. In addition, current and future legislative proposals, if enacted into law, may cause interest on the Certificates to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals. Should such an event of taxability occur, the Certificates are not subject to a special prepayment and will remain outstanding until maturity or until prepaid under one of the other prepayment provisions contained in the Trust Agreement.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Installment Payments designated as and comprising interest and received by the owners of the Certificates 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, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 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 Internal Revenue Code of 1986, as amended (the "**Tax Code**") relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. 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 Certificates.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Certificate 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 Certificate 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 Tax 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 Certificate 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 Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates 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 Certificates under federal individual minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate'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 Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificate is amortized each year over the term to maturity

of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, 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 Certificates.

California Tax Status. In the further opinion of Special Counsel, the portion of Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates 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 Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Certificates 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 Certificates, or as to the consequences of owning or receiving interest with respect to the Certificates, as of any future date. Prospective purchasers of the Certificates 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 Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates 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 Certificates, the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest with respect to the Certificates.

CONTINUING DISCLOSURE

The District will covenant for the benefit of owners of the Certificates to provide certain financial information and operating data relating to the District by the date that is nine months after the end of the District's Fiscal Year (currently April 1 based on the District's Fiscal Year end of June 30), commencing with the report for the 2017-18 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. Such reports are required to be filed with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the purchaser of the Bonds in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "**Rule**").

The District previously entered into a continuing disclosure undertaking under the Rule in connection with the execution and delivery of the 2009 Certificates. Over the past five years, the District has complied in all material respects with its continuing disclosure undertaking for the 2009 Certificates, except that the annual report for the fiscal year ending June 30, 2012 was filed four days after the due date.

UNDERWRITING

The Certificates were sold to Alamo Capital, as underwriter (the “**Underwriter**”), at a purchase price of \$_____ (which is equal to the principal amount of the Certificates (\$_____), *plus* a [net] original issue premium/discount of \$_____ and *less* Underwriter’s discount of \$_____). The Underwriter must purchase all of the Certificates, if any are purchased.

The Underwriter intends to offer the Certificates 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.

RATING

S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”), has assigned a rating of “_____” to the Certificates. This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this 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. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Certificates may have an adverse effect on the market price or marketability of the Certificates.

CONCLUDING INFORMATION

Legal Matters

All legal matters in connection with the issuance of the Certificates are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. A copy of the approving opinion of Special Counsel will be provided to the registered owners of the Certificates, and the forms of such opinion is attached hereto as APPENDIX D. Jones Hall is also serving as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by McMurtrey, Hartsock & Worth, Bakersfield, California, as general counsel to the District, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as counsel to the Underwriter. *Compensation to Special*

Counsel, Disclosure Counsel and counsel to the Underwriter is contingent on the execution and delivery of the Certificates.

Litigation

Except as described herein, the District is not aware of any litigation pending or threatened concerning the validity of the Certificates or challenging any action taken by the District with respect to the Installment Sale Agreement, the Trust Agreement or any other agreements or actions undertaken in connection with the issuance of the Certificates or the payment of principal and interest on the Certificates. Furthermore, the District is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Indenture or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the District taken with respect to any of the foregoing.

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 System Net Revenues.

Municipal Advisor

W.J. Fawell Co., Public Finance is acting as municipal advisor to the District in connection with execution and delivery of the Certificates. *Compensation to the municipal advisor is contingent on the execution and delivery of the Certificates.*

Bill Fawell, the principal of W.J. Fawell Co., Public Finance also serves on the board of directors of the Corporation; he has not received any compensation or other financial benefit from his service on the board of directors.

Financial Statements

Fedak & Brown LLP, Certified Public Accountants (the “**Auditor**”), audited the financial statements of the District for the Fiscal Years ended June 30, 2017 and June 30, 2016. The Auditor’s examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See “APPENDIX C – AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016.”

The Auditor has not consented to the District including the audited financial statements as an appendix to this Official Statement, nor has the Auditor performed any post-audit review of the financial condition or operations of the District.

Miscellaneous

All of the descriptions of California laws, other applicable legislation, the Installment Sale Agreement, the Trust Agreement, the District, the Corporation, agreements and other documents are made subject to the provisions of such legislation and documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been duly authorized by the District.

**INDIAN WELLS VALLEY WATER
DISTRICT**

By: _____
General Manager

APPENDIX A
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B

GENERAL INFORMATION ABOUT THE CITY OF RIDGECREST AND KERN COUNTY

The following information relating to the City of Ridgecrest (the "City"), the County of Kern (the "County"), and the State of California is supplied solely for the purposes of information. Neither the faith and credit, nor the taxing power of the District, the City, the County, the State of California, or any of its political subdivisions is pledge to the payment of the Certificates.

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). 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 south-central 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 following table lists population estimates for the County, the major cities in the County as of January 1 each year for the last five calendar years.

KERN COUNTY Population Estimates Calendar Years 2014 through 2018

Calendar <u>Year</u>	City of <u>Ridgecrest</u>	County <u>of Kern</u>	State of <u>California</u>
2014	28,202	871,803	38,568,628
2015	28,127	880,346	38,912,464
2016	28,171	886,153	39,179,627
2017	28,427	896,101	39,500,973
2018	28,822	905,801	39,809,693

Source: State Department of Finance estimates (as of January 1)

Industry and Employment

The unemployment rate in the Kern County was 7.3 percent in August 2018, down from a revised 8.1 percent in July 2018, and below the year-ago estimate of 8.6 percent. This compares with an unadjusted unemployment rate of 4.3 percent for California and 3.9 percent for the nation during the same period.

BAKERSFIELD METROPOLITAN STATISTICAL AREA (MSA)
(County of Kern)
Civilian Labor Force, Employment and Unemployment
Calendar Years 2013 through 2017
Annual Averages

	2013	2014	2015	2016	2017
Civilian Labor Force ⁽¹⁾⁽²⁾	393,400	393,500	390,900	388,400	385,300
Employment	347,200	352,500	350,900	348,000	349,700
Unemployment	46,200	41,000	39,900	40,400	35,600
Unemployment Rate	11.7%	10.4%	10.2%	10.4%	9.2%
<u>Wage and Salary Employment:</u> ⁽³⁾					
Agriculture	59,600	60,100	59,300	62,700	62,200
Mining and Logging	12,300	12,700	11,200	8,800	8,500
Construction	17,200	18,200	16,500	14,500	15,000
Manufacturing	14,000	14,600	14,100	13,500	13,500
Wholesale Trade	8,700	9,000	8,700	8,500	8,600
Retail Trade	28,900	30,300	31,600	32,600	32,700
Transportation, Warehousing, Utilities	9,900	10,200	10,500	10,100	10,300
Information	2,500	2,400	2,700	2,200	2,000
Finance and Insurance	5,600	5,500	5,400	5,200	5,200
Real Estate and Rental and Leasing	3,300	3,200	3,200	3,100	3,000
Professional and Business Services	26,900	26,600	26,300	26,000	25,800
Educational and Health Services	32,300	32,600	33,400	34,800	36,500
Leisure and Hospitality	22,800	23,700	25,000	25,500	25,700
Other Services	7,500	7,800	7,700	7,700	7,700
Federal Government	10,000	9,600	9,900	10,200	10,400
State Government	8,800	9,200	9,600	9,900	10,100
Local Government	39,600	40,800	42,100	43,000	42,700
Total all Industries ⁽⁴⁾	310,000	316,400	317,000	318,300	319,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike. March 2014 benchmark.

(2) Civilian Labor Force numbers for years 2006-2008 will be recalculated by the State of California Employment Development Department.

(3) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(4) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The following table lists the largest employers within the County as of October 2018.

COUNTY OF KERN
Largest Employers
October 2018
(In Alphabetical Order)

Employer Name	Location	Industry
Bakersfield Memorial Hospital	Bakersfield	Hospitals
CSU Bakersfield	Bakersfield	Schools-Universities & Colleges Academic
Chevron Corp	Bakersfield	Management Services
Edwards Air Force Base	Edwards	Government Offices-Us
Foster Care Human Svc	Bakersfield	Social Service & Welfare Organizations
Grimmway Farms	Arvin	Farms
Kern County Human Svc Dept	Bakersfield	Government Offices-County
Kern County School Supt	Bakersfield	Schools
Marko Zaninovich Inc	Mc Farland	Fruits & Vegetables-Growers & Shippers
Mercy Hospitals of Bakersfield	Bakersfield	Hospitals
Nabors Completion-Production	Bakersfield	Oil Field Service
Nasa/Dryden Flight Research	Edwards	Research Service
NAVAL Air Warfare Center	Ridgecrest	Military Bases
Ridgecrest Regional Hospital	Ridgecrest	Hospitals
Rio Tinto Minerals	Boron	Mining Companies
Robertson's Ready Mix	California City	Concrete-Ready Mixed
San Joaquin Community Hospital	Bakersfield	Hospitals
Sun Pacific	Bakersfield	Fruits & Vegetables-Growers & Shippers
Sun Pacific	Bakersfield	Fruits & Vegetables-Growers & Shippers
US Department of the Navy	Ridgecrest	Business Services NEC
US Naval Air Weapons Station	Ridgecrest	Federal Government-National Security
US Navy Public Affairs Office	Ridgecrest	Government Offices-Us
Wasco State Prison Fire Dept	Wasco	Government Offices-State
Wm Bolthouse Farms Inc	Bakersfield	Agricultural Consultants
Wonderful Pistachios & Almonds	Lost Hills	Farms

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2018 2nd edition.

The following table lists the largest employers within the City as of June 30, 2017.

**CITY OF RIDGECREST
PRINCIPAL EMPLOYERS
June 30, 2017**

Employer Name	Employees	% of Total City Employment⁽²⁾
Naval Air Weapons Station China Lake ⁽¹⁾	7,300	51.77%
Ridgecrest Regional Hospital	854	6.06
Searles Valley Minerals	650	4.61
Sierra Sands Unified School District	609	4.32
Walmart	210	1.49
Cerro Coso Community College	159	1.13
Alta One Credit Union	149	1.06
Albertson's Inc	145	1.03
Jacobs Technology	144	1.02
City of Ridgecrest	123	0.87
Total	10,343	73.35%

(1) Includes civilians, military, and contractors. The Naval Air Weapons Station China Lake is the leading local employer. The base is one of only two large Navy airborne weapon testing centers. Recent closures and consolidations at other military bases previously led to some employment growth at China Lake, although employment levels have remained stable in recent years.

(2) Based on total City employment of 14,100.

Source: City of Ridgecrest Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017

Agriculture

The County is part of the San Joaquin Valley, one of the most agriculturally productive areas on a per acre basis in the world. The top five commodities for 2016 were grapes, almonds, citrus, pistachios and milk, which make up more than \$4.3 billion (60%) of the total value; with the top twenty commodities making up more than 73% of the total value. The table below lists the value of various agricultural products from 2012 through 2016. Data is not yet available for 2017.

**KERN COUNTY
Gross Value of Agricultural Production
(Dollars in Thousands)**

<u>Agricultural Product</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Fruit and Nut Crops	\$3,650,049	\$4,133,389	\$4,769,213	\$4,670,622	\$4,900,990
Field Crops	539,370	522,365	507,302	340,618	304,712
Vegetable Crops	714,490	686,789	648,857	654,165	836,670
Livestock & Poultry	395,078	418,926	443,650	370,376	326,508
Livestock & Poultry Products	732,385	819,880	980,756	652,917	609,513
Nursery Crops	100,824	111,271	93,720	83,265	102,318
Industrial Crops	15,717	14,176	18,498	12,838	9,045
Seed Crops & Other	7,742	5,305	6,591	11,251	9,410
Apiary Products	56,707	57,755	83,737	82,772	88,778
Total	\$6,212,362	\$6,769,856	\$7,552,324	\$6,878,824	\$7,187,944

Source: Kern County Department of Agriculture.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

**CITY OF RIDGECREST, COUNTY OF KERN, STATE OF CALIFORNIA,
AND THE UNITED STATES
Effective Buying Income
As of January 1, 2013 through 2017**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2013	Ridgecrest	\$616,808	\$48,052
	Kern County	13,399,060	40,446
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	Ridgecrest	\$654,203	\$52,167
	Kern County	14,323,958	42,189
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	Ridgecrest	\$663,183	\$52,943
	Kern County	15,083,625	43,795
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	Ridgecrest	\$684,846	\$53,569
	Kern County	15,494,594	44,716
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	Ridgecrest	\$724,347	\$56,053
	Kern County	16,598,425	47,525
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735

Source: The Nielsen Company (US), Inc.

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. Total taxable sales during the calendar year 2016 in the City were reported to be \$272.794 million, a 4.85% increase over the total taxable sales of \$260.176 billion reported during calendar year 2015. Annual figures are not yet available for calendar years 2017 or 2018.

CITY OF RIDGECREST
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	427	\$228,986	616	\$248,584
2013	429	228,267	616	247,128
2014	418	237,818	597	257,954
2015	416	238,185	657	260,176
2016	412	248,472	651	272,794

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the first three quarters of calendar year 2016 in the County were reported to be \$13.885 billion, a 3.05% decrease from the total taxable sales of \$14.322 billion reported during calendar year 2015.

KERN COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2012 through 2016
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	10,915	\$7,856,031	15,812	\$14,666,473
2013	11,242	8,134,147	16,077	15,199,124
2014	11,519	8,589,322	16,336	15,722,694
2015	6,303	8,549,820	18,455	14,322,102
2016	12,097	8,566,624	18,556	13,885,644

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

Construction activity in the County for the past five years for which data is available is shown in the following table.

CITY OF RIDGECREST					
Total Building Permit Valuations					
Calendar Years 2013 through 2017					
(Valuations in Thousands)					
	2013	2014	2015	2016	2017
<u>Permit Valuation</u>					
New Single-family	\$797.6	\$1,619.3	\$5,211.2	\$7,995.0	\$7,082.1
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>559.8</u>	<u>847.9</u>	<u>285.0</u>	<u>1,296.2</u>	<u>736.0</u>
Total Residential	1,357.4	2,467.1	6,607.1	9,291.2	7,818.0
New Commercial	\$2,215.6	\$27.5	\$11,967.7	\$2,099.5	\$740.5
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	86.6	308.2	372.6	867.6	208.7
Com. Alterations/Additions	<u>1,036.7</u>	<u>3,868.8</u>	<u>1,060.8</u>	<u>1,377.7</u>	<u>2,119.0</u>
Total Nonresidential	3,338.8	4,204.5	13,400.9	4,344.7	3,068.1
<u>New Dwelling Units</u>					
Single Family	5	8	31	49	59
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	5	8	31	49	59

Source: Construction Industry Research Board, Building Permit Summary.

KERN COUNTY					
Total Building Permit Valuations					
Calendar Years 2010 through 2014					
(Valuations in thousands)					
	2013	2014	2015	2016	2017
<u>Permit Valuation</u>					
New Single-family	\$363,561.4	\$444,592.5	\$496,973.6	\$489,908.5	\$396,101.1
New Multi-family	44,545.8	51,730.1	28,017.3	12,501.0	2,169.0
Res. Alterations/Additions	<u>30,414.3</u>	<u>32,193.7</u>	<u>27,705.1</u>	<u>30,119.7</u>	<u>44,924.0</u>
Total Residential	438,521.4	528,516.2	552,695.9	532,530.0	443,193.9
New Commercial	267,395.0	148,418.6	116,727.0	121,385.2	182,439.3
New Industrial	23,706.3	19,876.6	11,396.2	5,469.5	14,027.3
New Other	1,319,217.8	627,586.9	646,809.0	41,722.9	52,473.9
Com. Alterations/Additions	<u>132,961.5</u>	<u>165,036.1</u>	<u>144,820.5</u>	<u>132,775.8</u>	<u>121,754.7</u>
Total Nonresidential	1,743,280.6	960,918.0	919,751.4	348,995.1	370,695.1
<u>New Dwelling Units</u>					
Single Family	1,952	2,047	2,184	2,181	1,844
Multiple Family	<u>520</u>	<u>380</u>	<u>116</u>	<u>66</u>	<u>10</u>
TOTAL	2,472	2,427	2,454	2,247	1,854

Source: Construction Industry Research Board, Building Permit Summary.

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 C
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

APPENDIX D

PROPOSED FORM OF FINAL OPINION

[Closing Date]

Indian Wells Valley Water District
500 W. Ridgecrest Boulevard
Ridgecrest, California 93555

OPINION: \$ _____ Indian Wells Valley Water District
 Water Revenue Certificates of Participation, Series 2018

Members of the Board of Directors:

We have acted as special counsel to the Indian Wells Valley Water District (the "District") in connection with the delivery by the District of the Installment Sale Agreement dated as of December 1, 2018 (the "Installment Sale Agreement") between Public Property Financing Corporation of California, a California non-profit public benefit corporation (the "Corporation") as seller and the District as purchaser. Under the Trust Agreement dated as of December 1, 2018 (the "Trust Agreement") among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Trustee has executed and delivered the above-captioned certificates of participation dated the date hereof (the "Certificates"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Certificates evidence the direct, undivided fractional interests of the owners thereof in Installment Payments to be made by the District under the Installment Sale Agreement (the "Installment Payments"), which have been assigned by the Corporation to the Trustee. The District authorized execution and delivery of the Installment Sale Agreement, the Trust Agreement and the Certificates pursuant to a resolution of the Board of Directors of the District adopted on _____, 2018 (the "Resolution").

Regarding questions of fact material to our opinion, we have relied on representations of the District contained in the Installment Sale Agreement and the Trust Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The District is a duly created and validly existing water district with the power to adopt the Resolution, enter into the Installment Sale Agreement and the Trust Agreement, and perform the agreements on its part contained therein.

2. The Installment Sale Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District, and constitute the valid and binding obligations of the District, enforceable against the District.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the assignment made by the Corporation, the owners of the Certificates are entitled to the benefits of the Installment Sale Agreement.

4. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest with respect to obligations such as the Certificates. 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 delivery of the Installment Sale Agreement.

5. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Installment Sale Agreement or the Certificates.

The rights of the owners of the Certificates and the enforceability of the Installment Sale Agreement and the Trust Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
INDIAN WELLS VALLEY WATER DISTRICT
Water Revenue Certificates of Participation
Series 2018

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the Indian Wells Valley Water District (the “District”) in connection with the execution and delivery of the Water Revenue Certificates of Participation, Series 2018 captioned above (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2018, by and among the District, the Padre Dam Public Facilities Financing Corporation and The Bank of New York Mellon Trust Company N.A., as trustee (the “Trustee”).

The District 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 Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is 9 months after the end of the District’s fiscal year (currently April 1 based on the District’s fiscal year end of June 30).

“*Dissemination Agent*” means The Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Certificates.

“*Participating Underwriter*” means the original purchaser of the Certificates required to comply with the Rule in connection with offering of the Certificates.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2019, with the report for the 2017-18 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report 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 shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure 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 Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder. 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 does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice 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:

(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 shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information:

- (i) Principal amount of Certificates outstanding as of the end of the fiscal year.
- (iii) A description of any Parity Debt issued during the most recently completed fiscal year.
- (iii) 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 _____]

(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 Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Certificate calls, if material, and tender offers.
- (9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person (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, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Certificates. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States 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 District, or if such jurisdiction has been assumed by leaving the existing governing 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 District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

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

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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be [[The Bank of New York Mellon Trust Company, N.A.]]. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

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 Certificates, 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 Certificates, 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 Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

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 Report filed pursuant hereto containing the amended operating data or financial information shall 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 this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall 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 shall 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 shall be quantitative. A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall 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 shall 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. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates 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 shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) Article IX of the Trust Agreement is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. 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, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the holders of the Certificates or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

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: _____, 2018

**INDIAN WELLS VALLEY WATER
DISTRICT**

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Indian Wells Valley Water District

Name of Issue: Indian Wells Valley Water District Water Revenue Certificates of Participation, Series 2018

Date of Issuance: _____, 2018

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated _____, 2018. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

APPENDIX F

BOOK ENTRY PROVISIONS

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates 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 Certificates (the “**Issuer**”) nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (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 Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, 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 “**Certificates**”). The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Certificates, 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 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct

Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("**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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

4. To facilitate subsequent transfers, all Certificates 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 Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Certificates 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 such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's 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 the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Certificates 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 nor its nominee, 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 securities depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities 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.

**FIRST AMENDMENT TO
INSTALLMENT PURCHASE AGREEMENT**

by and between

INDIAN WELLS VALLEY WATER DISTRICT

and

MISSION BANK

Dated as of December 1, 2018

**Amending the
Installment Purchase Agreement
Dated as of April 1, 2016**

This FIRST AMENDMENT TO INSTALLMENT PURCHASE AGREEMENT, dated as of December 1, 2018 (the "**First Amendment**"), is entered into by and between INDIAN WELLS VALLEY WATER DISTRICT, a County water district formed and operating pursuant to the California Water District Law (California Water Code Sections 30000, *et seq.*) (the "**District**"), and MISSION BANK, a California corporation, organized under the laws of the State of California (the "**Corporation**").

WITNESSETH:

WHEREAS, the District and the Corporation previously entered into an Installment Purchase Agreement, dated as of April 1, 2016 (the "**Existing Agreement**," and as amended by this First Amendment, the "**Agreement**"), pursuant to which the District agreed to purchase the Project from the Corporation in accordance with the terms set forth therein; and

WHEREAS, the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), previously entered into a Trust Agreement, dated as of April 1, 2016 (the "**Existing Trust Agreement**"), pursuant to which, among other matters, the Trustee agreed to hold a reserve fund in trust for the benefit of the Corporation; and

WHEREAS, capitalized terms used but not defined in this First Amendment are set forth in the Existing Agreement; and

WHEREAS, Section 10.14 of the Existing Agreement provides that the District and the Corporation may make amendments to the Existing Agreement from time to time; and

WHEREAS, the District desires to sell Parity Obligations without the need for such Parity Obligations to be secured by a reserve fund in order to achieve the lowest possible true interest cost to the District, and in connection therewith the District and the Corporation desire to make certain amendments to the Existing Agreement and to have the District terminate the Existing Trust Agreement, which amendments are hereby acknowledged by each of the District and the Corporation as benefiting each such party.

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the District and the Corporation do hereby agree as follows:

AGREEMENT:

Section 1. Representations and Warranties of the District. The District hereby reaffirms the representations and warranties made to the Corporation set forth in Section 2.01 of the Existing Agreement, as of the date of the execution and delivery of this First Amendment.

Section 2. Representations and Warranties of the Corporation. The Corporation hereby reaffirms the representations and warranties made to the District set forth in Section 2.02 of the Existing Agreement, as of the date of the execution and delivery of this First Amendment.

Section 3. Other Amendments to Existing Agreement.

(a) Section 1.01 is amended to delete, in their entirety, the defined terms "Reserve Fund" and "Reserve Fund Requirement."

(b) Section 5.02 is amended to delete, in its entirety, clause (b) therein, and in lieu thereof clause (b) shall state “[Reserved]”.

(c) Section 5.03 is amended to delete, in its entirety, clause (2) therein, and in lieu thereof clause (2) shall state “[Reserved]”.

(d) Section 5.05 is amended and restated in its entirety to provide, “On the Closing Date, the District caused the amount of \$556,761.00 to be deposited into a reserve fund held by the Trustee pursuant to the terms of the Trust Agreement between the District and the Trustee. On the effective date of the First Amendment, the initial reserve deposit (\$556,761.00) shall be transferred by the Trustee to the Corporation, as a prepayment of amounts due under the Agreement, and the remainder on deposit in the reserve fund shall be transferred to the District. Following such transfers, the reserve fund shall be closed. Notwithstanding Section 7.01(a), the full amount of the prepayment shall be made without premium, and Exhibit B (Schedule of Installment Payments) shall be revised as set forth in Exhibit B to this First Amendment.”


(e) Section 6.12(b) is amended to delete, in its entirety, clause (iii) therein, and in lieu thereof clause (iii) shall state “[Reserved]”.

Section 4. Effectiveness. Other than as amended hereby, the Existing Agreement shall remain in full force and effect. This First Amendment shall become effective as of the date of the execution and delivery of the Water Revenue Certificates of Participation, Series 2018, evidencing the direct, undivided fractional interests of the owners thereof in the installment payments to be made by the Indian Wells Valley Water District, which is expected to occur on December 27, 2018.

Section 5. Execution in Counterparts. The First Amendment may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the District and the Corporation have caused this First Amendment to Installment Purchase Agreement to be executed by their respective officers thereunto duly authorized, all as of the date and year first above written.

MISSION BANK

By: 
Name: Michael Congdon
Title: Senior Vice President

INDIAN WELLS VALLEY WATER DISTRICT

By: _____
Name: Don Zdeba
Title: General Manager

Mission Bank Loan Series 2016 (Amendment Dated 12/27/18)

Amended Debt Service

Date	Principal	Interest	Debt Service	Redemption	Bond Balance	Annual D/S
12/1/2018	See Original Payment Scheule for 12/1/18 DS Payment				7,491,255.01	
12/27/2018				556,761.00	6,934,494.01	
1/1/2019	25,829.56	22,054.98 (1)	47,884.54		6,908,664.45	
2/1/2019	23,974.29	20,536.71	44,511.00		6,884,690.16	
3/1/2019	26,026.08	18,484.92	44,511.00		6,858,664.08	
4/1/2019	24,122.92	20,388.08	44,511.00		6,834,541.16	181,417.54 (2)
5/1/2019	24,849.99	19,661.01	44,511.00		6,809,691.17	
6/1/2019	24,268.49	20,242.51	44,511.00		6,785,422.68	
7/1/2019	24,991.29	19,519.71	44,511.00		6,760,431.39	
8/1/2019	24,414.92	20,096.08	44,511.00		6,736,016.47	
9/1/2019	24,487.50	20,023.50	44,511.00		6,711,528.97	
10/1/2019	25,203.86	19,307.14	44,511.00		6,686,325.11	
11/1/2019	24,635.21	19,875.79	44,511.00		6,661,689.90	
12/1/2019	25,347.23	19,163.77	44,511.00		6,636,342.67	
1/1/2020	24,783.79	19,727.21	44,511.00		6,611,558.88	
2/1/2020	24,857.46	19,653.54	44,511.00		6,586,701.42	
3/1/2020	26,194.56	18,316.44	44,511.00		6,560,506.86	
4/1/2020	25,009.22	19,501.78	44,511.00		6,535,497.64	534,132.00
5/1/2020	25,710.25	18,800.75	44,511.00		6,509,787.39	
6/1/2020	25,159.99	19,351.01	44,511.00		6,484,627.40	
7/1/2020	25,856.59	18,654.41	44,511.00		6,458,770.81	
8/1/2020	25,311.64	19,199.36	44,511.00		6,433,459.17	
9/1/2020	25,386.88	19,124.12	44,511.00		6,408,072.29	
10/1/2020	26,076.82	18,434.18	44,511.00		6,381,995.47	
11/1/2020	25,539.86	18,971.14	44,511.00		6,356,455.61	
12/1/2020	26,225.31	18,285.69	44,511.00		6,330,230.30	
1/1/2021	25,693.74	18,817.26	44,511.00		6,304,536.56	
2/1/2021	25,770.12	18,740.88	44,511.00		6,278,766.44	
3/1/2021	27,652.94	16,858.06	44,511.00		6,251,113.50	
4/1/2021	25,928.92	18,582.08	44,511.00		6,225,184.58	534,132.00
5/1/2021	26,602.93	17,908.07	44,511.00		6,198,581.65	
6/1/2021	26,085.08	18,425.92	44,511.00		6,172,496.57	
7/1/2021	26,754.50	17,756.50	44,511.00		6,145,742.07	
8/1/2021	26,242.15	18,268.85	44,511.00		6,119,499.92	
9/1/2021	26,320.16	18,190.84	44,511.00		6,093,179.76	
10/1/2021	26,982.67	17,528.33	44,511.00		6,066,197.09	
11/1/2021	26,478.61	18,032.39	44,511.00		6,039,718.48	
12/1/2021	27,136.47	17,374.53	44,511.00		6,012,582.01	
1/1/2022	26,637.98	17,873.02	44,511.00		5,985,944.03	
2/1/2022	26,717.17	17,793.83	44,511.00		5,959,226.86	
3/1/2022	28,510.88	16,000.12	44,511.00		5,930,715.98	
4/1/2022	26,881.34	17,629.66	44,511.00		5,903,834.64	534,132.00
5/1/2022	27,527.37	16,983.63	44,511.00		5,876,307.27	
6/1/2022	27,043.07	17,467.93	44,511.00		5,849,264.20	
7/1/2022	27,684.35	16,826.65	44,511.00		5,821,579.85	
8/1/2022	27,205.76	17,305.24	44,511.00		5,794,374.09	
9/1/2022	27,286.63	17,224.37	44,511.00		5,767,087.46	
10/1/2022	27,920.75	16,590.25	44,511.00		5,739,166.71	
11/1/2022	27,450.74	17,060.26	44,511.00		5,711,715.97	

(1) Interest of \$22,054.98 equal to 27 days of accrued interest on Bond Balance of \$7,491,255.01 (\$19,395.17) + 4 days of accrued interest on Bond Balance of \$6,934,494.01 (\$2,659.81)

(2) Total does not include payments prior to 12/27/18 amendment.

Mission Bank Loan Series 2016 (Amendment Dated 12/27/18)

Amended Debt Service

Date	Principal	Interest	Debt Service	Redemption	Bond Balance	Annual D/S
12/1/2022	28,080.04	16,430.96	44,511.00		5,683,635.93	
1/1/2023	27,615.81	16,895.19	44,511.00		5,656,020.12	
2/1/2023	27,697.90	16,813.10	44,511.00		5,628,322.22	
3/1/2023	29,399.34	15,111.66	44,511.00		5,598,922.88	
4/1/2023	27,867.63	16,643.37	44,511.00		5,571,055.25	534,132.00
5/1/2023	28,484.68	16,026.32	44,511.00		5,542,570.57	
6/1/2023	28,035.14	16,475.86	44,511.00		5,514,535.43	
7/1/2023	28,647.27	15,863.73	44,511.00		5,485,888.16	
8/1/2023	28,203.63	16,307.37	44,511.00		5,457,684.53	
9/1/2023	28,287.47	16,223.53	44,511.00		5,429,397.06	
10/1/2023	28,892.19	15,618.81	44,511.00		5,400,504.87	
11/1/2023	28,457.44	16,053.56	44,511.00		5,372,047.43	
12/1/2023	29,057.16	15,453.84	44,511.00		5,342,990.27	
1/1/2024	28,628.41	15,882.59	44,511.00		5,314,361.86	
2/1/2024	28,713.51	15,797.49	44,511.00		5,285,648.35	
3/1/2024	29,812.55	14,698.45	44,511.00		5,255,835.80	
4/1/2024	28,887.49	15,623.51	44,511.00		5,226,948.31	534,132.00
5/1/2024	29,474.57	15,036.43	44,511.00		5,197,473.74	
6/1/2024	29,060.98	15,450.02	44,511.00		5,168,412.76	
7/1/2024	29,642.96	14,868.04	44,511.00		5,138,769.80	
8/1/2024	29,235.48	15,275.52	44,511.00		5,109,534.32	
9/1/2024	29,322.38	15,188.62	44,511.00		5,080,211.94	
10/1/2024	29,896.69	14,614.31	44,511.00		5,050,315.25	
11/1/2024	29,498.42	15,012.58	44,511.00		5,020,816.83	
12/1/2024	30,067.55	14,443.45	44,511.00		4,990,749.28	
1/1/2025	29,675.49	14,835.51	44,511.00		4,961,073.79	
2/1/2025	29,763.70	14,747.30	44,511.00		4,931,310.09	
3/1/2025	31,270.77	13,240.23	44,511.00		4,900,039.32	
4/1/2025	29,945.13	14,565.87	44,511.00		4,870,094.19	534,132.00
5/1/2025	30,501.14	14,009.86	44,511.00		4,839,593.05	
6/1/2025	30,124.81	14,386.19	44,511.00		4,809,468.24	
7/1/2025	30,675.54	13,835.46	44,511.00		4,778,792.70	
8/1/2025	30,305.55	14,205.45	44,511.00		4,748,487.15	
9/1/2025	30,395.63	14,115.37	44,511.00		4,718,091.52	
10/1/2025	30,938.41	13,572.59	44,511.00		4,687,153.11	
11/1/2025	30,577.96	13,933.04	44,511.00		4,656,575.15	
12/1/2025	31,115.37	13,395.63	44,511.00		4,625,459.78	
1/1/2026	30,761.35	13,749.65	44,511.00		4,594,698.43	
2/1/2026	30,852.79	13,658.21	44,511.00		4,563,845.64	
3/1/2026	32,257.39	12,253.61	44,511.00		4,531,588.25	
4/1/2026	31,040.39	13,470.61	44,511.00		4,500,547.86	534,132.00
5/1/2026	31,564.22	12,946.78	44,511.00		4,468,983.64	
6/1/2026	31,226.49	13,284.51	44,511.00		4,437,757.15	
7/1/2026	31,744.85	12,766.15	44,511.00		4,406,012.30	
8/1/2026	31,413.68	13,097.32	44,511.00		4,374,598.62	
9/1/2026	31,507.06	13,003.94	44,511.00		4,343,091.56	
10/1/2026	32,017.17	12,493.83	44,511.00		4,311,074.39	
11/1/2026	31,695.89	12,815.11	44,511.00		4,279,378.50	
12/1/2026	32,200.46	12,310.54	44,511.00		4,247,178.04	

(1) Interest of \$22,054.98 equal to 27 days of accrued interest on Bond Balance of \$7,491,255.01 (\$19,395.17) + 4 days of accrued interest on Bond Balance of \$6,934,494.01 (\$2,659.81)

(2) Total does not include payments prior to 12/27/18 amendment.

Mission Bank Loan Series 2016 (Amendment Dated 12/27/18)

Amended Debt Service

Date	Principal	Interest	Debt Service	Redemption	Bond Balance	Annual D/S
1/1/2027	31,885.83	12,625.17	44,511.00		4,215,292.21	
2/1/2027	31,980.61	12,530.39	44,511.00		4,183,311.60	
3/1/2027	33,279.09	11,231.91	44,511.00		4,150,032.51	
4/1/2027	32,174.60	12,336.40	44,511.00		4,117,857.91	534,132.00
5/1/2027	32,665.11	11,845.89	44,511.00		4,085,192.80	
6/1/2027	32,367.34	12,143.66	44,511.00		4,052,825.46	
7/1/2027	32,852.19	11,658.81	44,511.00		4,019,973.27	
8/1/2027	32,561.22	11,949.78	44,511.00		3,987,412.05	
9/1/2027	32,658.01	11,852.99	44,511.00		3,954,754.04	
10/1/2027	33,134.31	11,376.69	44,511.00		3,921,619.73	
11/1/2027	32,853.58	11,657.42	44,511.00		3,888,766.15	
12/1/2027	33,324.14	11,186.86	44,511.00		3,855,442.01	
1/1/2028	33,050.30	11,460.70	44,511.00		3,822,391.71	
2/1/2028	33,148.55	11,362.45	44,511.00		3,789,243.16	
3/1/2028	33,973.79	10,537.21	44,511.00		3,755,269.37	
4/1/2028	33,348.08	11,162.92	44,511.00		3,721,921.29	534,132.00
5/1/2028	33,804.10	10,706.90	44,511.00		3,688,117.19	
6/1/2028	33,547.69	10,963.31	44,511.00		3,654,569.50	
7/1/2028	33,997.85	10,513.15	44,511.00		3,620,571.65	
8/1/2028	33,748.48	10,762.52	44,511.00		3,586,823.17	
9/1/2028	33,848.80	10,662.20	44,511.00		3,552,974.37	
10/1/2028	34,290.11	10,220.89	44,511.00		3,518,684.26	
11/1/2028	34,051.35	10,459.65	44,511.00		3,484,632.91	
12/1/2028	34,486.71	10,024.29	44,511.00		3,450,146.20	
1/1/2029	34,255.09	10,255.91	44,511.00		3,415,891.11	
2/1/2029	34,356.91	10,154.09	44,511.00		3,381,534.20	
3/1/2029	35,431.81	9,079.19	44,511.00		3,346,102.39	
4/1/2029	34,564.37	9,946.63	44,511.00		3,311,538.02	534,132.00
5/1/2029	34,984.66	9,526.34	44,511.00		3,276,553.36	
6/1/2029	34,771.11	9,739.89	44,511.00		3,241,782.25	
7/1/2029	35,185.33	9,325.67	44,511.00		3,206,596.92	
8/1/2029	34,979.06	9,531.94	44,511.00		3,171,617.86	
9/1/2029	35,083.04	9,427.96	44,511.00		3,136,534.82	
10/1/2029	35,488.09	9,022.91	44,511.00		3,101,046.73	
11/1/2029	35,292.82	9,218.18	44,511.00		3,065,753.91	
12/1/2029	35,691.71	8,819.29	44,511.00		3,030,062.20	
1/1/2030	35,503.83	9,007.17	44,511.00		2,994,558.37	
2/1/2030	35,609.37	8,901.63	44,511.00		2,958,949.00	
3/1/2030	36,566.42	7,944.58	44,511.00		2,922,382.58	
4/1/2030	35,823.92	8,687.08	44,511.00		2,886,558.66	534,132.00
5/1/2030	36,207.20	8,303.80	44,511.00		2,850,351.46	
6/1/2030	36,038.04	8,472.96	44,511.00		2,814,313.42	
7/1/2030	36,415.03	8,095.97	44,511.00		2,777,898.39	
8/1/2030	36,253.41	8,257.59	44,511.00		2,741,644.98	
9/1/2030	36,361.18	8,149.82	44,511.00		2,705,283.80	
10/1/2030	36,728.68	7,782.32	44,511.00		2,668,555.12	
11/1/2030	36,578.45	7,932.55	44,511.00		2,631,976.67	
12/1/2030	36,939.56	7,571.44	44,511.00		2,595,037.11	
1/1/2031	36,796.99	7,714.01	44,511.00		2,558,240.12	

(1) Interest of \$22,054.98 equal to 27 days of accrued interest on Bond Balance of \$7,491,255.01 (\$19,395.17) + 4 days of accrued interest on Bond Balance of \$6,934,494.01 (\$2,659.81)

(2) Total does not include payments prior to 12/27/18 amendment.

Mission Bank Loan Series 2016 (Amendment Dated 12/27/18)

Amended Debt Service

Date	Principal	Interest	Debt Service	Redemption	Bond Balance	Annual D/S
2/1/2031	36,906.37	7,604.63	44,511.00		2,521,333.75	
3/1/2031	37,741.39	6,769.61	44,511.00		2,483,592.36	
4/1/2031	37,128.27	7,382.73	44,511.00		2,446,464.09	534,132.00
5/1/2031	37,473.23	7,037.77	44,511.00		2,408,990.86	
6/1/2031	37,350.03	7,160.97	44,511.00		2,371,640.83	
7/1/2031	37,688.47	6,822.53	44,511.00		2,333,952.36	
8/1/2031	37,573.09	6,937.91	44,511.00		2,296,379.27	
9/1/2031	37,684.78	6,826.22	44,511.00		2,258,694.49	
10/1/2031	38,013.39	6,497.61	44,511.00		2,220,681.10	
11/1/2031	37,909.80	6,601.20	44,511.00		2,182,771.30	
12/1/2031	38,231.79	6,279.21	44,511.00		2,144,539.51	
1/1/2032	38,136.14	6,374.86	44,511.00		2,106,403.37	
2/1/2032	38,249.50	6,261.50	44,511.00		2,068,153.87	
3/1/2032	38,759.83	5,751.17	44,511.00		2,029,394.04	
4/1/2032	38,478.42	6,032.58	44,511.00		1,990,915.62	534,132.00
5/1/2032	38,783.71	5,727.29	44,511.00		1,952,131.91	
6/1/2032	38,708.09	5,802.91	44,511.00		1,913,423.82	
7/1/2032	39,006.63	5,504.37	44,511.00		1,874,417.19	
8/1/2032	38,939.10	5,571.90	44,511.00		1,835,478.09	
9/1/2032	39,054.85	5,456.15	44,511.00		1,796,423.24	
10/1/2032	39,343.21	5,167.79	44,511.00		1,757,080.03	
11/1/2032	39,287.90	5,223.10	44,511.00		1,717,792.13	
12/1/2032	39,569.41	4,941.59	44,511.00		1,678,222.72	
1/1/2033	39,522.31	4,988.69	44,511.00		1,638,700.41	
2/1/2033	39,639.79	4,871.21	44,511.00		1,599,060.62	
3/1/2033	40,217.63	4,293.37	44,511.00		1,558,842.99	
4/1/2033	39,877.18	4,633.82	44,511.00		1,518,965.81	534,132.00
5/1/2033	40,141.37	4,369.63	44,511.00		1,478,824.44	
6/1/2033	40,115.04	4,395.96	44,511.00		1,438,709.40	
7/1/2033	40,372.25	4,138.75	44,511.00		1,398,337.15	
8/1/2033	40,354.30	4,156.70	44,511.00		1,357,982.85	
9/1/2033	40,474.26	4,036.74	44,511.00		1,317,508.59	
10/1/2033	40,720.91	3,790.09	44,511.00		1,276,787.68	
11/1/2033	40,715.62	3,795.38	44,511.00		1,236,072.06	
12/1/2033	40,955.18	3,555.82	44,511.00		1,195,116.88	
1/1/2034	40,958.39	3,552.61	44,511.00		1,154,158.49	
2/1/2034	41,080.15	3,430.85	44,511.00		1,113,078.34	
3/1/2034	41,522.46	2,988.54	44,511.00		1,071,555.88	
4/1/2034	41,325.69	3,185.31	44,511.00		1,030,230.19	534,132.00
5/1/2034	41,547.32	2,963.68	44,511.00		988,682.87	
6/1/2034	41,572.04	2,938.96	44,511.00		947,110.83	
7/1/2034	41,786.43	2,724.57	44,511.00		905,324.40	
8/1/2034	41,819.83	2,691.17	44,511.00		863,504.57	
9/1/2034	41,944.14	2,566.86	44,511.00		821,560.43	
10/1/2034	42,147.61	2,363.39	44,511.00		779,412.82	
11/1/2034	42,194.12	2,316.88	44,511.00		737,218.70	
12/1/2034	42,390.23	2,120.77	44,511.00		694,828.47	
1/1/2035	42,445.55	2,065.45	44,511.00		652,382.92	
2/1/2035	42,571.72	1,939.28	44,511.00		609,811.20	

(1) Interest of \$22,054.98 equal to 27 days of accrued interest on Bond Balance of \$7,491,255.01 (\$19,395.17) + 4 days of accrued interest on Bond Balance of \$6,934,494.01 (\$2,659.81)

(2) Total does not include payments prior to 12/27/18 amendment.

Mission Bank Loan Series 2016 (Amendment Dated 12/27/18)

Amended Debt Service

Date	Principal	Interest	Debt Service	Redemption	Bond Balance	Annual D/S
3/1/2035	42,873.70	1,637.30	44,511.00		566,937.50	
4/1/2035	42,825.72	1,685.28	44,511.00		524,111.78	534,132.00
5/1/2035	43,003.28	1,507.72	44,511.00		481,108.50	
6/1/2035	43,080.86	1,430.14	44,511.00		438,027.64	
7/1/2035	43,250.92	1,260.08	44,511.00		394,776.72	
8/1/2035	43,337.49	1,173.51	44,511.00		351,439.23	
9/1/2035	43,466.31	1,044.69	44,511.00		307,972.92	
10/1/2035	43,625.05	885.95	44,511.00		264,347.87	
11/1/2035	43,725.20	785.80	44,511.00		220,622.67	
12/1/2035	43,876.33	634.67	44,511.00		176,746.34	
1/1/2036	43,985.60	525.40	44,511.00		132,760.74	
2/1/2036	44,116.36	394.64	44,511.00		88,644.38	
3/1/2036	44,264.50	246.50	44,511.00		44,379.88	
4/1/2036	44,379.88	131.92	44,511.80		-	534,132.80
Total	6,934,494.01	2,327,168.33	9,261,662.34	556,761.00		

(1) Interest of \$22,054.98 equal to 27 days of accrued interest on Bond Balance of \$7,491,255.01 (\$19,395.17) + 4 days of accrued interest on Bond Balance of \$6,934,494.01 (\$2,659.81)

(2) Total does not include payments prior to 12/27/18 amendment.

TERMINATION AGREEMENT

by and between

INDIAN WELLS VALLEY WATER DISTRICT

and

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

Dated as of December 1, 2018

**Terminating the
Trust Agreement
Dated as of April 1, 2016**

This TERMINATION AGREEMENT, dated as of December 1, 2018 (the “**Termination Agreement**”), is entered into by and between INDIAN WELLS VALLEY WATER DISTRICT, a County water district formed and operating pursuant to the California Water District Law (California Water Code Sections 30000, *et seq.*) (the “**District**”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A, as trustee (the “**Trustee**”).

WITNESSETH:

WHEREAS, the District and Mission Bank, a California corporation (the “**Corporation**”) previously entered into an Installment Purchase Agreement, dated as of April 1, 2016 (the “**Existing Agreement**,” and as amended by a First Amendment, dated as of December 1, 2018, the “**Agreement**”), pursuant to which the District agreed to purchase the Project (as defined in the Agreement) from the Corporation in accordance with the terms set forth therein; and

WHEREAS, the District and the Trustee previously entered into a Trust Agreement, dated as of April 1, 2016 (the “**Trust Agreement**”), pursuant to which, among other matters, the Trustee agreed to hold a reserve fund in trust for the benefit of the Corporation; and

WHEREAS, Section 4.12 of the Existing Trust Agreement provides that the District and the Trustee may make amendments to the Existing Trust Agreement from time to time, by amendment thereto, and with written consent of the Corporation; and

WHEREAS, the District and the Corporation have agreed to amend the Existing Agreement, and in connection therewith, the amount held as a reserve fund by the Trustee for the benefit of the Corporation shall be transferred to the Corporation; and

WHEREAS, the purpose of the Trust Agreement having been satisfied, the District and the Trustee wish to terminate the Trust Agreement following such transfer.

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the District and the Trustee do hereby agree, and the Corporation does hereby consent, as follows:

AGREEMENT:

Section 1. Representations and Warranties of the District. The District hereby reaffirms the representations and warranties set forth in Section 2.1 of the Trust Agreement, as of the date of the execution and delivery of this Termination Agreement.

Section 2. Representations and Warranties of the Corporation. The Trustee hereby reaffirms the representations and warranties set forth in Section 2.2 of the Trust Agreement, as of the date of the execution and delivery of this Termination Agreement.

Section 3. Release of Reserve Fund; Termination of Trust Agreement. On the effective date of this Termination Agreement, the Trustee shall transfer the initial reserve deposit (\$556,761.00) shall be transferred by the Trustee to the Corporation, as a prepayment of amounts due under the Agreement, and the remainder on deposit in the reserve fund shall be transferred to the District. Following such transfers, the reserve fund shall be closed. The purpose of the Trust Agreement having been satisfied, immediately following such transfers, the

Trust Agreement shall be terminated and of no further force or effect, subject to the provisions of Section 4.11.

Section 4. Effectiveness. This Termination Amendment shall become effective as of the date of the execution and delivery of the Water Revenue Certificates of Participation, Series 2018, evidencing the direct, undivided fractional interests of the owners thereof in the installment payments to be made by the Indian Wells Valley Water District, which is expected to occur on December 27, 2018.

Section 5. Execution in Counterparts. This Termination Amendment may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the District and the Trustee have caused this Termination Agreement to be executed by their respective officers thereunto duly authorized, all as of the date and year first above written.

INDIAN WELLS VALLEY WATER DISTRICT

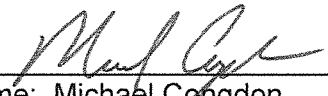
By: _____
Name: Don Zdeba
Title: General Manager

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

By: _____
Authorized Officer

Consented by:

MISSION BANK

By:  _____
Name: Michael Congdon
Title: Senior Vice President

§ _____
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018

CERTIFICATE PURCHASE CONTRACT

_____, 2018

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

Public Property Financing Corporation of California
2945 Townsgate Road, Suite 200
Westlake Village, California 91361
Attention: President

Ladies and Gentlemen:

Alamo Capital, a California corporation (the “**Underwriter**”), hereby offers to enter into this Certificate Purchase Contract with you, the Indian Wells Valley Water District (the “**District**”) and the Public Property Financing Corporation of California (the “**Corporation**”), for the execution and delivery to be caused by the District and the Corporation and the purchase by the Underwriter of the Indian Wells Valley Water District Water Revenue Certificates of Participation, Series 2018 (the “**Certificates**”). This offer is made subject to acceptance by the District and the Corporation prior to 5:00 P.M., California Time, on the date hereof and, upon such acceptance, this Certificate Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the District, the Corporation and the Underwriter. All terms that are not defined herein have the meanings set forth in the Official Statement (as such term is defined herein).

1. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase and the District and the Corporation hereby agree to cause to be sold to the Underwriter all (but not less than all) of the aggregate principal amount of the Certificates (as more fully described in the Official Statement), at an aggregate purchase price of \$_____ (representing the principal amount thereof, less an underwriter’s discount of \$_____, [plus][less] a [net] original issue [premium][discount] of \$_____). The Certificates shall be dated the date of their delivery and shall mature on the dates and in the principal amounts, and shall bear interest at the rates per annum shown on Exhibit A. The Certificates are being delivered to provide funds to: (i) refinance the District’s obligations under that certain Installment Purchase Agreement, dated as of September 1, 2009 (the “2009 Agreement”), with the Corporation in an initial principal amount of \$20,000,000 and the District’s Water Refunding Certificates of Participation, Series 2009 (the “2009 Certificates”), (ii) refinance the District’s obligations under that certain Installment Purchase Agreement, dated as of April 1, 2016 (the “2016 Agreement”), with Mission Bank in the initial principal amount of \$8,000,000, (iii)

finance the acquisition, construction, installation and equipping of certain additional capital improvements of the District and (iv) pay costs of executing and delivering the Certificates.

The Certificates shall be as described in, and shall be secured under and pursuant to, the Trust Agreement, dated as of December 1, 2018 (the “**Trust Agreement**”), by and among the Corporation, the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), substantially in the form that was previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the District and the Underwriter. The Certificates evidence the undivided interests of the owners thereof (the “**Owners**”) in installment payments (the “**Installment Payments**”) to be paid by the District as the purchase price for the Project (as such term is defined in the Trust Agreement) to the Corporation pursuant to the Installment Sale Agreement, dated as of December 1, 2018 (the “**Installment Sale Agreement**”), by and between the District and the Corporation. Pursuant to the Trust Agreement, the Corporation has assigned to the Trustee for the benefit of the Owners of the Certificates substantially all of the Corporation’s rights under the Installment Sale Agreement, including the Corporation’s right to receive Installment Payments payable under the Installment Sale Agreement and the Corporation’s rights to enforce payment by the District of such Installment Payments when due.

The Certificates are payable from the Installment Payments paid by the District and from amounts on deposit in certain funds and accounts established under the Trust Agreement. The District is obligated to pay the Installment Payments from System Net Revenues (as such term is defined in the Trust Agreement).

The District and the Corporation acknowledge and agree that: (a) the purchase and sale of the Certificates pursuant to this Certificate Purchase Contract is an arm’s-length commercial transaction between the District and the Underwriter, and the only obligations that the Underwriter has to the District and the Corporation with respect to the transaction contemplated hereby expressly are set forth in this Certificate Purchase Contract; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as such term is defined in Section 15B of The Securities Exchange Act of 1934, as amended) to the District or the Corporation; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District or the Corporation with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District or the Corporation on other matters); (d) the Underwriter has financial and other interests that may differ from and be adverse to those of the District and the Corporation; and (e) the District and the Corporation have consulted their own legal, financial, accounting, tax and other advisors to the extent that they have deemed appropriate.

2. The District has approved the use and electronic distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement relating to the Certificates dated _____, 2018 in connection with the public offering of the Certificates (the “**Preliminary Official Statement**”). The District has deemed the Preliminary Official Statement final as of the date thereof for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“**Rule 15c2-12**”), except for information that is permitted to be omitted therefrom in accordance with paragraph (b)(1) of Rule 15c2-12. The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the earlier of: (i) the third (3rd) business day preceding the Closing (as such term is defined herein); or (ii) the seventh (7th) day following the date of this Certificate

Purchase Contract: (A) the form of the final Official Statement relating to the certificates in “designated electronic format” (as defined in Municipal Securities Rulemaking Board (“MSRB”) Rule G-32); and (B) copies of the final Official Statement relating to the Certificates, dated the date hereof, in the form of the Preliminary Official Statement, with such changes thereto, as may be approved by the Underwriter (including the appendices thereto and any amendments or supplements as have been approved by the District and the Underwriter, the “Official Statement”), in such quantity as the Underwriter shall reasonably request. The District hereby approves of the distribution and use by the Underwriter of the Official Statement in connection with the offer and sale of the Certificates. The Preliminary Official Statement and/or the Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the District and the Underwriter. If the Official Statement is prepared for distribution in electronic form, the District hereby confirms that it does not object to distributions of the Official Statement in electronic form.

3. Public Offering and Establishment of Issue Price.

(a) The Underwriter agrees to make an initial public offering of all of the Certificates at the public offering prices (or yields) set forth on Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as the Underwriter deems necessary in connection with the marketing of the Certificates, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Certificates may be offered and sold to certain dealers at prices lower than such initial public offering prices.

(b) The Underwriter agrees to assist the District in establishing the issue price of the Certificates and shall execute and deliver to the District at Closing (as defined below) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Special Counsel (as defined below), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates. All actions to be taken by the District under this section to establish the issue price of the Certificates may be taken on behalf of the District by the District’s municipal advisor, W.J. Fawell Co. (the “Municipal Advisor”) and any notice or report to be provided to the District may be provided to the District’s Municipal Advisor.

(c) [Except as otherwise set forth in Exhibit A attached hereto,] the District will treat the first price at which 10% of each maturity of the Certificates (the “10% test”), identified under the column “10% Test Used” in Exhibit A, is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined below) has occurred, until either (i) the Underwriter has sold all Certificates of that maturity or (ii) the 10% test has been satisfied as to the Certificates 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 District or Special Counsel. For purposes of this section, if Certificates 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 Certificates.

(d) [The Underwriter confirms that it has offered the Certificates to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of this Purchase Contract, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District 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 Certificates, the Underwriter will neither offer nor sell unsold Certificates 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.

(i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.]

(e) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Certificates 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 Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates 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 Certificates 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 Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates 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 Certificates 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 Certificates 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 Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates 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 Certificates 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.

(f) The District 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 Certificates 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, 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 Certificates 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The District 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.

(g) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates 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 District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates 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 Certificates 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 Certificates to the public);

(iii) a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) 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), (ii) 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 (iii) 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 Purchase Contract by the District and the Underwriter].

4. The District warrants, represents to and agrees with the Underwriter that:

(a) The District is a county water district duly organized and existing under and pursuant to California Water District Law, constituting Division 12 of the Water Code of the State and the Constitution and laws of the State, and has all necessary power and authority to enter into and perform its duties under: (i) the Installment Sale Agreement; (ii) the Trust Agreement; (iii) the Continuing Disclosure Certificate dated the Closing Date (the “**Continuing Disclosure Certificate**”), executed by the District; (iv) the Irrevocable Refunding Instructions, dated December __, 2018 (the “**Irrevocable Refunding Instructions**”), given by the District to The Bank of New York Mellon Trust Company, N.A., as trustee for the 2009 Certificates, to refund the 2009 Certificates in accordance with the terms thereof; and (v) this Certificate Purchase Contract (collectively, the “**District Documents**”) and, when executed and delivered by the respective parties thereto, the District Documents will constitute legal, valid and binding obligations of the District enforceable in accordance with their respective terms.

(b) The execution and delivery of the District Documents and compliance with the provisions on the District’s part contained herein and therein, and execution and delivery of the Official Statement, will not conflict with, or constitute a breach of, or default under, the District’s duties under said documents or any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is subject or by which it is bound, which conflict, breach or default could have a material adverse effect upon the District’s ability to perform its obligations under the District Documents, including its obligation to pay Installment Payments, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the District under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Installment Sale Agreement and the Trust Agreement.

(c) By official action of the District prior to or concurrently with the acceptance hereof, the District has duly approved the distribution of the Preliminary Official Statement and the distribution of the Official Statement and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in, the District Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Certificate Purchase Contract.

(d) Except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, filing with or certification by any regulatory authority that has jurisdiction over the District which is required for the execution and delivery of the District Documents, the execution, delivery and sale of the Certificates or the consummation by the District of the other transactions contemplated by the Official Statement and this Certificate Purchase Contract.

(e) There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or governmental agency, public board or body pending or threatened against the District affecting the existence of the District or challenging the title of any director of the District or the President of the Board of Directors of the District to their respective offices, or seeking to prohibit, restrain or enjoin the execution or delivery of the Certificates, or the collection of the revenues pledged pursuant to the Installment Sale Agreement, or the pledge thereof, in any way contesting or affecting the validity or enforceability of the District Documents or the Certificates, in any way contesting the powers of the District or its authority to enter into or perform its obligations under any of the foregoing, contesting in any way the completeness, accuracy or fairness of the Official Statement or in which a final adverse decision could materially adversely affect the operations or financial condition of the District or the ability of the District to perform its obligations under the District Documents.

(f) The District is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States, 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 is otherwise subject, which breach or default could have a material adverse effect upon the District's ability to perform its obligations under the District Documents, including its obligation to pay Installment Payments, 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 an event of default under any such instrument, and which default could have a material adverse effect upon the District's ability to perform its obligations under the District Documents.

(g) The information contained in the Preliminary Official Statement as of its date was, and in the Official Statement as of its date is and as of the Closing will be, true and correct in all material respects, and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that no warranty, representation or agreement is made as to information contained under the caption "THE CERTIFICATES—Book-Entry System" or in Appendix F thereto.

(h) 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 in order: (i) to qualify the Certificates 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 Certificates for investment under the laws of such states and other jurisdictions, and the District will use its best efforts to continue such qualification in effect so long as required for distribution of the Certificates; provided, however, that the District will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

(i) As of the date thereof and at all times subsequent thereto, to and including the date which is 25 days following the End of the Underwriting Period (as such term is defined herein) for the Certificates, the Official Statement did not and, if no event as described in the immediately following subparagraph occurs or, if such event occurs the information contained in the Official Statement as amended or supplemented pursuant to such paragraph, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) During the period between the date of this Certificate Purchase Contract and the date which is 25 days following the End of the Underwriting Period, the District: (i) shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter; and (ii) if an event occurs, of which the District has knowledge, which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact that is required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the District will promptly notify the Underwriter, 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 cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided that all expenses thereby incurred will be paid for by the District.

(k) If the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the end of the Underwriting Period for the Certificates, the Official Statement as so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact that is required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(l) As used herein and for the purposes of the foregoing, the term “**End of the Underwriting Period**” shall mean the Closing unless the Underwriter advises the District that it continues to hold Certificates for sale at the time of the Closing, in which case the “End of the Underwriting Period” shall have the meaning set forth in Rule 15c2-12.

(m) The financial statements of the District contained in the Preliminary Official Statement and in the Official Statement fairly present the financial position and results of operations of the District as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles consistently applied and, other than as has been disclosed to the Underwriter and described in the Official Statement, there has been no material adverse change in the financial position or results of operations of the District since June 30, 2017.

(n) As of the Closing Date, other than as has been disclosed to the Underwriter and described in the Official Statement, there shall have been no increases in the long term debt of the District since June 30, 2017, or in any debt of the District secured by a pledge of or payable from System Revenues or System Net Revenues since June 30, 2017.

(o) Other than in the ordinary course of its business or as contemplated by the Official Statement, between the date of this Certificate Purchase Contract and the Closing Date the District will not, without the prior written consent of the Underwriter, offer or issue any certificates, bonds, notes, or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by a lien on the System Net Revenues superior to or equal to the lien of the Certificates on the System Net Revenues.

(p) Except as disclosed in the Official Statement, the District has not within the last five years failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports of financial and operating data or notices of material events.

(q) The execution and delivery of this Certificate Purchase Contract by the District shall constitute a representation by the District to the Underwriter that the representations and warranties contained in this Section 4 are true and correct as of the date hereof.

5. The Corporation warrants, represents to and agrees with the Underwriter that:

(a) The Corporation is a nonprofit public benefit corporation, organized and validly existing under the laws of the State of California, and has, and at the Closing Date will have full legal right, power and authority (i) to enter into, execute, deliver and perform its obligations under this Certificate Purchase Contract and (ii) to carry out, give effect to and consummate the transactions on its part contemplated by this Certificate Purchase Contract, the Trust Agreement, the Installment Purchase Agreement (collectively, the “**Corporation Documents**”) and the Official Statement.

(b) The Board of Directors of the Corporation has duly and validly adopted a resolution (the “**Corporation Resolution**”), which: (i) approved and authorized the execution and delivery of the Corporation Documents, and (ii) authorized and approved the performance by the Corporation of its obligations contained in, and the taking of any and all action on its part as may be necessary to carry out, give effect to and consummate the transactions on its part contemplated by, the Official Statement and this Certificate Purchase Agreement.

(c) The Corporation is not in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Corporation is a party or is otherwise subject or bound, and the performance by the Corporation of its obligations under the Certificates, the Corporation Documents and any other instruments contemplated by any of such documents, and compliance by it with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Corporation is a party or is otherwise subject or bound, in any manner which would materially and adversely affect the performance by the Corporation of its obligations under the Certificates or the Corporation Documents.

(d) The statements and information contained in the Preliminary Official Statement as of its date, and in the Official Statement as of its date and as of the Closing, solely as such statements and information relate to the Corporation are true, correct and complete in all material respects, do not contain an untrue statement of a material fact or omit any statement or information that is necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading.

(e) No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency or public board or body to which the Corporation is a party

and has been served with a summons or other notice thereof, is pending, or to the knowledge of the Secretary/Treasurer or other authorized officer, threatened, in any way affecting the existence of the Corporation or the titles of its officers to their respective offices or seeking to restrain or to enjoin the execution and delivery of the Certificates, or in any way contesting or affecting the validity or enforceability of the Certificates, the Corporation Documents or any action of the Corporation contemplated by any of such documents.

(f) The Corporation will, or will cause the District, as appropriate, to furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order for the Underwriter to qualify the Certificates for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate; provided, however, that neither the Corporation nor the District shall be required to register as a dealer or broker of securities or to consent to service of process or qualify to do business in any jurisdiction where it is not now so subject. It is understood that such “blue sky” registration is the sole responsibility of the Underwriter.

(g) The execution and delivery of this Certificate Purchase Contract by the Corporation shall constitute a representation by the Corporation to the Underwriter that the representations and warranties contained in this Section 5 are true and correct as of the date hereof.

6. At 8:00 A.M., California Time, on _____, 2018, or at such other time or on such earlier or later date as the Corporation, the District and the Underwriter mutually agree upon (herein called the “**Closing**” or the “**Closing Date**”), the District and the Corporation will deliver or cause to be delivered: (a) to The Depository Trust Company in New York, New York (“**DTC**”) or to such other place as the Corporation, the District and the Underwriter mutually agree upon, the Certificates in definitive form, duly executed; and (b) at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California (“**Special Counsel**”), or such other place as the Corporation, the District and the Underwriter mutually agree upon, the other documents hereinafter mentioned. The Certificates will be initially executed and delivered in the form of a separate single fully registered certificate for each separate stated maturity. Upon initial execution, the ownership of such Certificates shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of DTC.

CUSIP identification numbers shall be printed on the Certificates, but the failure to print such number on any Certificate or any error with respect thereto shall not constitute cause for a failure or refusal by the Underwriter to accept delivery of, or pay for, the Certificates in accordance with the terms of this Certificate Purchase Contract. All expenses in relation to the printing of CUSIP numbers on said Certificates and the CUSIP Service Bureau charge for the assignment of said numbers shall be paid for by the District from Certificate proceeds.

The Underwriter will accept delivery of the Certificates and pay the purchase price thereof in immediately available funds to the order of the Trustee in an amount equal to the purchase price. The Certificates will be made available for checking not later than 12:00 noon on the business day prior to the Closing.

7. The Underwriter has entered into this Certificate Purchase Contract in reliance upon the representations and warranties of the District and the Corporation contained herein, all other representations, warranties and agreements to be contained in the documents and instruments to be

delivered at Closing and the performance by the District and the Corporation of their respective obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriter's obligations under this Certificate Purchase Contract are and shall be subject to the following further conditions:

(a) at the time of Closing: (i) the District Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto; (ii) the District Documents and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto, in substantially the forms heretofore submitted to the Underwriter; (iii) the District Documents and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter; (iv) there shall be in full force and effect such resolutions as, in the opinion of offices of Special Counsel shall be necessary in connection with the transactions contemplated hereby; and (v) the representations and warranties of the District and the Corporation contained herein shall be true, correct and complete in all material respects on the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) at or prior to the Closing, the Underwriter shall receive the following documents, in each case satisfactory in form and substance to it and its counsel:

(1) The unqualified approving opinion of Special Counsel, each dated the Closing Date, addressed to the District, substantially in the form attached to the Official Statement as Appendix D, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion addressed to the District may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter.

(2) The supplemental opinion of Special Counsel in form and substance satisfactory to the Underwriter, dated the Closing Date and addressed to the District and the Underwriter, to the effect that:

(i) the Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(ii) the Certificate Purchase Contract has been duly executed and delivered by the District and is a valid and binding agreement of the District;

(iii) the statements contained in the Official Statement under the captions "THE FINANCING PLAN," "THE CERTIFICATES," "SECURITY FOR THE CERTIFICATES," "TAX MATTERS" and in Appendices C and D, excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources and information relating to DTC, insofar as such statements expressly summarize certain provisions of the Trust Agreement and the Installment Sale Agreement and the form and content of Special Counsel's final legal opinion, are accurate in all material respects; and

(iv) the District's obligations with respect to the 2016 Agreement have been discharged and the 2009 Certificates have been legally defeased and discharged.

(3) An opinion of McMurtrey, Hartsock & Worth, Bakersfield, California, general counsel for the District, dated the Closing Date and addressed to the District and the Underwriter to the effect that:

(i) the District is a county water district that is duly organized and existing under and by virtue of the California Water District Law, constituting Division 12 of the Water Code of the State, and the Constitution and laws of the State, and has all necessary power and authority to enter into and perform its duties under the District Documents and, assuming the due authorization, execution and delivery of the District Documents by the other parties thereto, as applicable, the District Documents constitute legal, valid and binding obligations of the District that are enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors, remedies generally or the application of equitable principles when equitable remedies are sought, or except as rights of indemnity may be limited by principles of public policy;

(ii) the District's execution and delivery of the District Documents and the performance by the District of its obligations contained therein, and the District's execution and delivery of the Official Statement, will not and do not conflict with, or constitute a breach of or default under, the District's duties under the District Documents or, to the best of such counsel's knowledge, any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is subject or by which it is bound, which conflict, breach or default could have a material adverse effect upon the District's ability to perform its obligations under the District Documents, including its obligation to pay Installment Payments, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the District under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Installment Sale Agreement and the Trust Agreement;

(iii) by official action of the District prior to the date hereof, the District has duly approved the distribution of the Preliminary Official Statement and the distribution of the Official Statement and has duly authorized and approved the execution and delivery of, and the performance by the District of its obligations contained in, the District Documents and the consummation by it of all other transactions on its part contemplated by this Certificate Purchase Contract;

(iv) except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, filing with or certification by any regulatory authority that has jurisdiction over the District which is required for the execution and delivery of the District Documents, the execution, delivery and sale of the Certificates or the consummation by the District of the other transactions contemplated by the Official Statement and this Certificate Purchase Contract;

(v) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or governmental agency, public board or body pending or, to the best of such counsel's knowledge, threatened against the District affecting the existence of the District, challenging the title of any director of the District or the President of the Board of Directors of the District to their respective offices, seeking to prohibit, restrain or enjoin the execution or

delivery of the Certificates, the collection of the System Revenues pledged pursuant to the Installment Sale Agreement or the pledge thereof, in any way contesting or affecting the validity or enforceability of the District Documents or the Certificates, in any way contesting the powers of the District or its authority to enter into or perform its obligations under any of the foregoing, contesting in any way the completeness, accuracy or fairness of the Official Statement, or in which a final adverse decision could materially adversely affect the operations or financial condition of the District or the ability of the District to perform its obligations under the District Documents;

(vi) to the best of such counsel's knowledge, the District is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States, 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 is otherwise subject, which breach or default could have a material adverse effect upon the District's ability to perform its obligations under the District Documents, including its obligation to pay Installment Payments, 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 an event of default under any such instrument and which default or event of default could have a material adverse effect upon the District's ability to perform its obligations under the District Documents; and

(vii) the information contained in the Preliminary Official Statement under the caption "LITIGATION" as of its date was, and in the Official Statement under the caption "LITIGATION" is, true and correct in all material respects, and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(4) An opinion of counsel to the Corporation, dated the Closing Date, and addressed to the District and the Underwriter, to the effect that:

(i) the Corporation is a nonprofit public benefit corporation duly organized, validly existing and in good standing under the Constitution and laws of the State of California;

(ii) the Corporation Resolution was duly adopted at a meeting which was called and held pursuant to the law and with all public notice required by law and at which a quorum was present and acting throughout;

(iii) the Corporation has full power and authority to enter into the Corporation Documents and to carry out and consummate all transactions contemplated by the Corporation Documents;

(iv) the Corporation Documents have each been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery by the respective parties thereto, constitute legal, valid and binding obligations of the Corporation that are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought;

(v) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public office or body, pending or, to the best of such counsel's knowledge, threatened against or affecting the Corporation, which would adversely impact the Corporation's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payment of Installment Payments under the Installment Sale Agreement, or in any way contesting or affecting the validity of the Certificates, the Corporation Documents or the transactions described in and contemplated hereby and by the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the Certificates or the Corporation Documents or in which a final adverse decision could materially adversely affect the operations of the Corporation; and

(vi) to the best knowledge of such counsel, the information in the Official Statement solely as such information relates to the Corporation does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(5) An opinion of counsel to the Trustee, dated the Closing Date addressed to the District and the Underwriter, in the form and substance satisfactory to the Underwriter and counsel to the Underwriter to the effect that:

(i) the Trustee is a national banking association that is duly organized under and existing in good standing under and by virtue of the laws of the United States of America with full corporate power to undertake the trust of the Trust Agreement and to execute and deliver the Trust Agreement;

(ii) the Trustee has duly authorized, executed and delivered the Trust Agreement, and by all proper corporate action has authorized the acceptance of the duties and the obligations of the Trustee under the Trust Agreement and has duly executed and delivered the Certificates;

(iii) assuming due authorization, execution and delivery by the other parties to the Trust Agreement, the Trust Agreement is the valid, legal and binding agreement of the Trustee, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law); and

(iv) no approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution, delivery and performance by the Trustee of the Trust Agreement.

(6) The opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the District and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and the Official Statement, and having made no independent investigation or verification thereof, and stated

as a matter of fact and not opinion that, during the course of its representation of the District on this matter, no facts came to the attention of the attorneys in its firm rendering legal services in connection with the Preliminary Official Statement and the Official Statement which caused them to believe that the Preliminary Official Statement or the Official Statement, as of their respective dates or as of the Closing Date (except any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, management discussion and analysis, environmental litigation, environmental matters, information relating to The Depository Trust Company and its book-entry system, and the Appendices thereto, included or referred to therein, which shall be expressly excluded from the scope of this paragraph and as to which such firm will express no opinion or view) 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;

(7) The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter.

(8) A certificate, dated the Closing Date, signed by a duly authorized official of the District satisfactory in form and substance to the Underwriter and counsel to the Underwriter, to the effect that the representations and warranties made by the District in this Certificate Purchase Contract are true and correct as of the Closing Date.

(9) A certificate, dated the Closing Date, signed by a duly authorized official of the Corporation satisfactory in form and substance to the Underwriter and counsel to the Underwriter, to the effect that the representations and warranties made by the Corporation in this Certificate Purchase Contract are true and correct as of the Closing Date.

(10) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee satisfactory in form and substance to the Underwriter and counsel to the Underwriter, to the effect that:

(i) the Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States of America and has the full power and authority to enter into and perform its duties under the Trust Agreement and to execute and deliver the Certificates thereunder;

(ii) the Trustee is duly authorized to enter into the Trust Agreement and to execute and deliver the Certificates to the Underwriter pursuant to the terms of the Trust Agreement, and has duly executed and delivered the Trust Agreement, and assuming due authorization and execution by the other parties thereto, the Trust Agreement is legal, valid and binding upon the Trustee, and enforceable against the Trustee in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws at the time in effect affecting the rights of creditors generally, and by the availability of equitable remedies;

(iii) the Trustee has duly executed the Certificates under the Trust Agreement and delivered the Certificates to or upon the order of the Underwriter;

(iv) no consent, approval, authorization or other action by any governmental or regulatory authority that has jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the execution and delivery of the Certificates or the consummation by the Trustee of its obligations under the Trust Agreement;

(v) the execution and delivery by the Trustee of the Trust Agreement, compliance with the terms thereof and the execution and delivery of the Certificates will not and do not conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which the Trustee is a party or by which it is bound, or, to the Trustee's knowledge, any law or any rule, regulation, order or decree of any court or governmental agency or body that has jurisdiction over the Trustee or any of its activities or properties, or (except with respect to the lien of the Trust Agreement) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee; and

(vi) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending or, to the best knowledge of the Trustee, threatened against or affecting the existence of the Trustee or seeking to prohibit, restrain or enjoin the execution and delivery of the Certificates, in any way contesting or affecting the validity or enforceability of the Certificates or the Trust Agreement or contesting the powers of the Trustee or its authority to enter into and perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would, in any way, adversely affect the validity of the Certificates, the Trust Agreement, or any agreement or instrument to which the Trustee is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby and by the Official Statement.

(11) Executed copies of each of the District Documents.

(12) Copies of the Preliminary Official Statement and copies of the Official Statement, with the Official Statement executed on behalf of the District by an authorized representative of the District.

(13) Certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Certificates and the Trust Agreement.

(14) Copies of resolutions adopted by the District and certified by the Secretary of the District, authorizing or ratifying the execution and delivery of the District Documents and the approval of the Official Statement.

(15) Copies of Corporation Resolution and certified by the Secretary of the Corporation, authorizing or ratifying the execution and delivery of the Corporation Documents.

(16) Evidence satisfactory to the Underwriter that the Certificates have been assigned the rating set forth in the Preliminary Official Statement and the Official Statement.

(17) Specimen Certificates.

(18) An executed Rule 15c2-12 certificate of the District, dated the date of the Preliminary Official Statement.

(19) Evidence of required filings with the California Debt and Investment Advisory Commission relating to the Certificates.

(20) Evidence that a debt management policy which complies Sections 8855 of the California Government Code has been adopted by the District.

(21) A copy of the executed Blanket Issuer Letter of Representations by and between the District and DTC relating to the book-entry system.

(22) A tax and nonarbitrage certificate, dated the Closing Date, with respect to maintaining the tax-exempt status of the Certificates.

(23) An executed Internal Revenue Service Form 8038-G, dated the Closing Date.

(24) Such additional legal opinions, certificates, proceedings, instruments and other documents as Special Counsel and counsel for the Underwriter may reasonably request to evidence compliance by the District and the Corporation with legal requirements, the truth and accuracy, as of the time of Closing, of the representations contained herein and in the Official Statement and the due performance or satisfaction by the Corporation and the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(c) All matters relating to the Certificates and the sale thereof, the District Documents and the consummation of the transactions contemplated by this Certificate Purchase Contract shall have been approved by the Underwriter and counsel for the Underwriter, which approval shall not be unreasonably withheld.

If the conditions to the Underwriter's obligations contained in this Certificate Purchase Contract are not satisfied or waived or if the Underwriter's obligations shall be terminated for any reason permitted by this Certificate Purchase Contract, this Certificate Purchase Contract shall terminate and the Underwriter shall have no further obligation hereunder.

8. The Underwriter shall have the right to cancel its obligations to purchase the Certificates if, between the date hereof and the Closing, regardless of whether any of the following statements of fact were in existence or known of on the date of this Certificate Purchase Contract:

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

presentment of legislation for the staff of either such Committee, or by the staff of the Joint Committee on taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the District, or the interest on bonds or notes (including the Certificates);

(b) there shall exist any event which in the reasonable opinion of the Underwriter either: (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement; or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information that are contained therein not misleading in any material respect;

(c) there shall have occurred any new outbreak of hostilities or other national or international calamity or crisis or the escalation of any such outbreak, calamity or crisis, the effect of such outbreak, calamity, crisis or escalation on the financial markets of the United States being such that it, in the reasonable opinion of the Underwriter, materially adversely affects the market price or marketability of the Certificates;

(d) there shall be in force a general suspension of trading on the New York Stock Exchange or other minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange or such other exchange, whether by virtue of a determination by that exchange or such other exchange or by orders of the Securities and Exchange Commission or any other governmental authority;

(e) a general banking moratorium shall have been declared by either federal, California or New York authorities having jurisdiction over such matters, which moratorium is in force;

(f) there shall be established any new restrictions on transactions in securities that materially affect the free market for securities (including the imposition of any limitations on interest rates) or the extension of credit by, or the charge to the net capital requirements of, underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States, or by Executive Order;

(g) an adverse event has occurred that affects the financial condition or operation of, the District which, in the opinion of the Underwriter, requires or has required a supplement or amendment to the Official Statement;

(h) the ratings of the Certificates or any of the District's obligations secured in a like manner shall have been downgraded, placed on credit watch or withdrawn by a national rating service, which, in the Underwriter's opinion, materially adversely affects the market price of the Certificates;

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

(j) Any litigation shall be instituted or be pending at the time of the Closing to restrain or enjoin the execution, sale or delivery of the Certificates, or in any way contesting or affecting any authority for the validity of the proceedings authorizing and approving the District Documents; or

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

9. After the Closing: (a) the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall object in writing or which shall be disapproved by counsel for the Underwriter; and (b) if any event that relates to or affects the District or the Corporation shall occur as a result of which it is necessary, in the opinion of counsel to the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to an initial purchaser of the Certificates, subject to Section 8(b), the District and the Corporation will forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact that is necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to an initial purchaser of the Certificates, not misleading. For the purposes of this section, the District and the Corporation will each furnish such information with respect to itself as the Underwriter may from time to time request.

10. Whether or not the transactions contemplated by this Certificate Purchase Contract are consummated, all expenses and costs of the District that are incident to the performance of its obligations in connection with the authorization, execution and sale of the Certificates to the Underwriter, including, without limitation, the cost of printing or reproducing the Certificates, the District Documents, the Preliminary Official Statement and the Official Statement and all ancillary papers (in reasonable quantities), credit rating agency fees, the costs of obtaining CUSIP numbers for the Certificates, the fees of the Trustee, the fees and costs of any municipal advisor, and related services, shall be paid from the proceeds of the Certificates, and to the extent or in the event not so paid shall be paid by the District. The District shall pay for expenses (included in the expense component of the spread) incurred on behalf of the District's employees that are incidental to

implementing this agreement, including, but not limited to, meals, transportation, lodging and entertainment of those employees. The Underwriter will pay its out-of-pocket expenses (other than out-of-state travel expenses in connection with the securing of a rating on the Certificates, if any) including the fees and disbursements of its counsel.

11. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Alamo Capital, 201 N. Civic Drive, Suite 360, Walnut Creek, California 94596, Attention: Jerry Liang. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given the District under this Certificate Purchase Contract may be given by delivering the same to the Indian Wells Valley Water District, 500 W. Ridgecrest Boulevard, P.O. Box 1329, Ridgecrest, California 93556-1329, Attention: Chief Financial Officer. Any notice or communication to be given by the Corporation under this Certificate Purchase Contract may be given by delivering the same to the Public Property Financing Corporation of California, 2945 Townsgate Road, Suite 200, Westlake Village, California 91361, Attention: President.

12. This Certificate Purchase Contract is made solely for the benefit of the District, the Corporation and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the District and the Corporation in this Certificate Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Certificates. The Underwriter may not assign this Certificate Purchase Contract without the written consent of the District.

13. This Certificate Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. This Certificate Purchase Contract constitutes the entire agreement among the parties hereby with respect to the matters covered hereby, and supersedes all prior agreements and understandings between the parties. This Certificate Purchase Contract shall only be amended, supplemented or modified in a writing signed by both of the parties hereto.

15. This Certificate Purchase Contract shall be governed by the laws of the State of California.

ALAMO CAPITAL

By:
Title:

Accepted and Agreed to:

INDIAN WELLS VALLEY WATER DISTRICT

By: _____
Authorized Officer

PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA

By: _____
Authorized Officer

EXHIBIT A

**\$ _____
Indian Wells Valley Water District
Water Revenue Certificates of Participation, Series 2018**

<i>Maturity Date (April 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>10% Test Used</i>	<i>Hold the Offering Price Rule Used</i>
	\$	%	%			

EXHIBIT B

Indian Wells Valley Water District Water Revenue Certificates of Participation, Series 2018

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Alamo Capital, a California corporation (“Alamo”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned certificates of participation (the “Certificates”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Alamo offered the Hold-the-Offering-Price 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 Certificates is attached to this certificate as Schedule B.

(b) As set forth in the Certificate Purchase Contract, dated _____, 2018, by and between Alamo and the Issuer, Alamo has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.]

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Certificates listed in Schedule A hereto as the “General Rule Maturities.”

(b) *[Hold-the-Offering-Price Maturities* means those Maturities of the Certificates listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price 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 (_____, 2018), or (ii) the date on which Alamo has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Issuer* means the Indian Wells Valley Water District.

(e) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an 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.

(g) [*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is _____, 2018.

(h) *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 Certificates 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 Certificates 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 Certificates to the Public).]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Alamo’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax and nonarbitrage certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

ALAMO CAPITAL

By: _____

Name: _____

Dated: _____, 2018

SCHEDULE A

**SALE PRICES OF THE GENERAL RULE MATURITIES [AND INITIAL OFFERING
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES]**

(Attached)

[SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

RatingsDirect®

Summary:

Indian Wells Valley Water District, California; Water/Sewer

Primary Credit Analyst:

Chloe S Weil, San Francisco (1) 415-371-5026; chloe.weil@spglobal.com

Secondary Contact:

John Schulz, Des Moines (1) 303-721-4385; john.schulz@spglobal.com

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Rationale

Outlook

Summary:

Indian Wells Valley Water District, California; Water/Sewer

Credit Profile

US\$27.0 mil wtr rev COPs ser 2018 dtd 12/27/2018 due 04/01/2049

<i>Long Term Rating</i>	AA-/Stable	New
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Indian Wells Vy Wtr Dist COPs (ASSURED GTY)

<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

Rationale

S&P Global Ratings assigned an 'AA-' rating to the Indian Wells Valley Water District, Calif.'s series 2018 water revenue certificates of participation (COPs). At the same time, S&P Global Ratings affirmed the 'AA-' rating on the district's outstanding COPs. The ratings reflect our view of the district's very strong enterprise and financial risk profiles. The outlook is stable.

The enterprise risk profile reflects our view of the district's:

- Economic concentration associated with the China Lake Naval Air Weapons facility, which is a dominant local employer, partially mitigated by the stable nature of this government employer and unique nature of this military weapons test center;
- Demonstrated track record of regularly increasing service rates to meet capital and regulatory needs;
- Reliance on an overdrafted groundwater basin as its sole source of supply, with limited alternative sources; and
- Good operational management assessment (OMA).

The financial risk profile reflects our view of the district's:

- Very strong financial performance that we anticipate will be sustained based on management's forecast;
- Very strong liquidity position equivalent to over a year's cash on hand as of June 30, 2018 (unaudited);
- Primarily debt-funded capital improvement program (CIP) through 2023, about 80% of which is anticipated to be funded through the series 2018 bonds; and
- Good financial management practices (FMA) and policies.

The series 2018 bonds are being issued to refund the district's series 2009 COPs for debt service savings and fund \$14 million of capital improvements. We view the certificate provisions as adequate. The certificates represent an interest in installment payments that are secured by the net revenues of the district's water system. Covenants include a 1.20x rate covenant and a 1.20x maximum annual debt service additional bonds test. The district's obligation to make the

2018 installment payments is on parity with its obligation to pay debt service on a \$7.5 million solar loan with Mission Bank. There is no debt service reserve for the bonds.

A very strong enterprise risk profile and a very strong financial risk profile map to an indicative rating in our revenue debt criteria matrix of 'aa/aa-', and we have selected the lower rating anchor of 'aa-' based on the service area's employment concentration at China Lake and uncertainty regarding future costs related to the implementation of a groundwater sustainability plan (for the district's groundwater basin) over the mid-to-long-term, which we believe would negatively affect the district's affordability. In general, we believe the district's market position is moderately constrained by Kern County's high poverty rate, meaning that we believe that potentially large future rate adjustments would likely be less affordable for the district's customers that are on low or fixed incomes.

Enterprise Risk

The district's service area primarily includes the city of Ridgecrest (population 28,400), and is located in northeastern Kern County off Highway 395, about 150 miles northeast of Los Angeles. Although Ridgecrest is in a relatively remote location, situated in the Mojave Desert, the city boasts a favorable median household effective buying income (MHEBI) of 112% of the national level, above regional peers. Supporting this figure, we believe, is the city's direct access to the nearby China Lake Naval Air Weapons facility and the unincorporated community of China Lake that employs roughly 6,000 civilian and contracted employees on top of the roughly 600 full-time military personnel. As a result, we consider the city to be broad and diverse. Negatively affecting Ridgecrest's economic profile is its exposure to Kern County and the county's very high unemployment rates. In July 2018, the unemployment rate the city was moderately low at 3.2%, well below that of Kern County (8.1%), and state (4.4%) and national averages (4.1%).

The Naval Air Weapons Station China Lake is the leading local employer, employing over half (7,300 employees) of the city's total employment as of June 30, 2017. While employment levels have remained stable in recent years, in our opinion, a dramatic reduction in staffing could eventually affect the community's residential stability if residents had to move away for jobs; however, we believe the base's location (1.1 million acres of land that is far from a large population center) supports its continued mission of weapons testing. The district does not provide water to the base, which has its own supply.

Management estimates that the current typical monthly residential bill is about \$46 per month, and this amount includes fixed ready-to-serve and arsenic treatment charges, as well as a volumetric charge per hundred cubic foot of consumption. We view the water bill as affordable, but moderately high, at 1.1% of the city's MHHEBI when annualized, and somewhat pressured by the county's elevated poverty rate of 24.5%, as reported by the U.S. Department of Agriculture.

The district recently completed an updated cost of service study that proposes 3% rate increases to be adopted on Jan. 1, 2019, and then July 1, 2020, 2021 and 2022. With the new rates, the fixed charges are anticipated to account for approximately 60.3% (down from 66.2%) and the metered volumetric rates are anticipated to account for approximately 39.7% (up from 33.8%) of total service charge revenue. We consider the proposed rate restructuring to generally be credit neutral given the still relatively sizable fixed component, which will we believe insulates revenues in periods of drought and conservation. We view the proposed rate plan to be reasonable, as management anticipates the average monthly charge remaining less than \$50 per month through fiscal 2023.

Based on our operational management assessment, we view the water system as a '3' on a six-point scale with '1' being the strongest. An assessment of "good", in our view, implies good alignment between the system's operational characteristics and management is good yet not comprehensive. Groundwater is pumped at 10 active well sites from the underlying Indian Wells Valley Groundwater Basin. In response to the federal government's more restrictive arsenic standards for drinking water, the district constructed arsenic treatment facilities at four of its wells in 2010. The district regularly engages outside rate consultants to perform multi-year rate plans that integrates the district's capital funding needs; the last set of rate adjustments were authorized in 2014, rising 4.1% in fiscal 2015, 3.5% in fiscal 2016, and 3.5% in fiscal 2017. Over the last decade, water consumption fell from 3,549,511 (in fiscal 2009) to 2,648,275 (fiscal 2018) hundred cubic feet, which we understand from management is a result of ongoing conservation efforts in the service area.

Due to the implementation of the Sustainable Groundwater Management Act (SGMA), groundwater basins that are considered to be in critical overdraft such as the Indian Wells Valley must develop a groundwater sustainability plan by Jan. 31, 2020. The district has formed the Indian Wells Valley Groundwater Authority, along with the city of Ridgecrest and Kern, Inyo, and San Bernardino counties. The Navy and Bureau of Land Management are non-voting members to reduce the effect of over pumping in the basin. We believe the district's water supply costs may rise over the mid-to long-term as the district's water supply alternatives are capital intensive, which would include, installing desalters to treat brackish water in less sensitive areas of the basin, importing water from the Los Angeles Aqueduct (which would require additional infrastructure), and additional conservation. Near-term expenses are modest related to SGMA are modest, however, and the current rate plan assumes that there will be a \$30 per acre-foot groundwater extraction fee (estimated at \$175,875 per year) imposed by the authority beginning in 2019.

Consistent with "Methodology: Industry Risk," published Nov. 19, 2013, we consider industry risk for the system to be very low, the most favorable assessment possible on a six-point scale, with '1' being the best.

Financial Risk

The water system's financial performance has been very strong during the past three fiscal years, and we anticipate that it will remain very strong going forward. Based on audited financial statements, we calculate that all-in coverage was very strong at 1.9x, 1.7x, and 1.7x for fiscals 2015 through 2017, sequentially. Based on unaudited results for fiscal year 2018, we anticipate that all-in coverage will improve slightly to 1.8x and remain at around this level through 2023. The district's financial forecast is generally achievable as it assumes demand will remain flat over the course of the upcoming five years, based on the expectation that there will be little "rebound" of water use as a result of conservation efforts undertaken by customers in response to the recent drought conditions.

The district also maintains a very strong liquidity position. At the end of fiscal year 2017, the water system held about \$9.1 million of unrestricted cash and investments, equivalent to 512 days' of operating expenses. Unaudited cash balances totaled \$10.4 million at the end of fiscal 2018. Based on management's most recent forecast and the pay-as-you-go capital needs identified in the capital improvement plan (CIP), we anticipate that unrestricted cash and investments will rise to about \$16.0 million and then remain near that level through fiscal year 2023. The district has a six-month operating reserve policy, which means that 180 days of operating costs are kept available in cash reserves. The district also maintains capital improvement, vehicle, and computer replacement reserves totaling \$2.0 million, \$350,000, and \$100,000 respectively.

The district will have a debt-to-capitalization ratio of 51.0% following this transaction, which we consider moderate, albeit tempered by the fact that there is no additional debt plans during the five-year outlook period beyond the series 2018 bonds. Through fiscal 2023, management has identified \$17.7 million in capital improvements, of which \$14 million (79%) will be funded with bond proceeds.

Based on our FMA, we view the district as a '3' on a six-point scale, with '1' being the strongest. We view the financial management of the system to be "good" as a result of sound revenue and expense assumptions and regular interim financial reporting is provided to the board throughout the fiscal year. The district's financial and capital improvement forecasts are reviewed semi-annually. Financial planning and operational information are relatively easily obtained, as the department's budget, financial statements, and other important operational and financial information are readily available on its website.

Outlook

The stable outlook reflects our expectation that the local economy will remain supportive of the district's credit quality, SGMA implementation costs will remain moderate over the two-year outlook period, and that the district will sustain very strong financial metrics that are at least in line with current projections.

Upside scenario

We could raise the rating if the city's economy diversifies and incomes reach very strong levels, and we come to believe such economic performance is likely sustainable. In making that determination, our analysis will also focus on key regulatory developments and any changes to the capital improvement plan that may constrain credit quality.

Downside scenario

While unexpected, given the district's track record of exercising rate setting authority in a fashion that produces very strong coverage and liquidity, we could take a negative rating action if the total dollar amount of the capital improvement plan materially exceeds current expectations and if liquidity levels are materially drawn down.

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