

WALNUT VALLEY WATER DISTRICT  
271 South Brea Canyon Road  
Walnut, California 91789

SPECIAL BOARD MEETING  
TUESDAY, JULY 20, 2021 – 4:00 P.M.  
AGENDA

Pursuant to the provisions of Executive Order N-08-21 Issued by Governor Gavin Newsom on June 11, 2021, any Board member and any member of the public who desires to participate in the open session items of this meeting may do so by accessing the Webex link below without otherwise complying with the Brown Act's teleconference requirements:

<https://walnutvalley.webex.com/join/bmeeting>  
(Computer and Telephone Audio Accessible)

Any member of the public wishing to make any comments to the Board may do so by accessing the above-referenced link where they may select the option to join via webcam or teleconference. The meeting Chair will acknowledge such individual(s) at the appropriate time in the meeting prior to making his or her comment. Members of the public will be disconnected from the meeting prior to a Closed Session being held.

**NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any Board meeting, please contact the General Manager's office at least 4 hours prior to a Board meeting to inform the District of your needs and to determine if accommodation is feasible.**

**Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance, to take action on any item.**

**Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review during regular business hours at the District office, located at 271 S. Brea Canyon Road, Walnut, California.**

1. Flag Salute
2. Roll Call: Mr. Hayakawa \_\_\_\_ Mr. Hilden \_\_\_\_ Ms. Kwong \_\_\_\_ Ms. Lee \_\_\_\_ Mr. Tang \_\_\_\_
3. Public Comment President Kwong  
The Presiding Officer may impose reasonable limitations on public comments to assure an orderly and timely meeting.
  - A. **Agenda Items** - Any person desiring to address the Board of Directors on any Agenda item may do so at the time the item is considered on the Agenda by requesting the privilege of doing so at this time and stating the Agenda item to be addressed. At the time the item is discussed, those requesting to speak will be called to do so.
  - B. **Non-Agenda Items** - At this time the public shall have an opportunity to comment on any non-agenda item relevant to the jurisdiction of the District. Reasonable time limits on each topic and on each speaker are imposed in accordance with Board policy.
4. Consider Adoption of WVWD Resolution No. 07-21-683, A Resolution authorizing and approving the issuance of Water Revenue Refunding Bonds, approving the Indenture of Trust, Disclosure Document, Bond Purchase Contract, Continuing Disclosure Certificate, Escrow Agreement, and other documents in connection with such Bonds and authorizing certain other matters relating thereto
  - A. Discussion
  - B. Board Action
5. Other

Adjournment

# WVWD – Staff Report



**TO:** Board of Directors  
**FROM:** General Manager  
**DATE:** July 20, 2021  
**SUBJECT:** Consider Adoption of WVWD Resolution No. 07-21-683, Authorizing and Approving the Issuance of Water Revenue Refunding Bonds

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Action/Discussion     Fiscal Impact     Resolution     Information Only

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## Recommendation

That the Board consider adopting WVWD Resolution No. 07-21-683:

A RESOLUTION OF THE WALNUT VALLEY WATER DISTRICT BOARD OF DIRECTORS AUTHORIZING AND APPROVING THE ISSUANCE OF WATER REVENUE REFUNDING BONDS, APPROVING THE INDENTURE OF TRUST PURSUANT TO WHICH SUCH BONDS ARE TO BE ISSUED, A DISCLOSURE DOCUMENT, A BOND PURCHASE CONTRACT, A CONTINUING DISCLOSURE CERTIFICATE, AN ESCROW AGREEMENT AND OTHER DOCUMENTS IN CONNECTION WITH SUCH BONDS AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

## Summary

Interest rates are currently near historic lows. Based on the current favorable interest rate environment, the Walnut Valley Water District (the District) is able to achieve savings by issuing its Water Revenue Refunding Bonds, Series 2021A (Federally Taxable) (2021 Bonds) to refund its outstanding 2013 Bonds. Based on recent market interest rates, refunding the prior 2013 Bonds could generate up-front cash flow debt service savings of approximately \$1.9 million. Using a Leveraging Refunding concept developed by the District's municipal advisor (Urban Futures, Inc.), District staff recommends applying the savings toward the District's CalPERS Unfunded Accrued Liability (UAL), resulting in the elimination of \$3.7 million in total UAL payments to CalPERS. The source of repayment for the debt service on the 2021 Bonds is net revenues of the District's water system.

## Background

In 2013, the District entered into an Installment Purchase Contract with the Puente Basin Water Agency (the Agency) in connection with the issuance of the Agency's \$17,300,000 Water Revenue Bonds, 2013 Series A (2013 Bonds), of which \$13,890,000 remains outstanding. The outstanding 2013 Bonds have a final maturity of 6/1/2038, carry interest rates of 5.00%, and are subject to optional redemption on 6/1/2023 without penalty.

Because the Tax Cuts and Jobs Act of 2017 (the "Act") eliminated the tax exemption for interest on advance refunding bonds (refunding bonds issued more than 90 days before the optional call date), the proposed bonds contemplate refinancing the 2013 Bonds on a taxable basis. Refinancing the 2013 Bonds today on a taxable basis does not preclude the District from refinancing on a tax-exempt basis in the future. Given the favorable taxable interest rate environment, many issuers have pursued taxable advance refundings since 2017.

The District contributes to the California Public Employees' Retirement System (CalPERS). The

District's UAL is approximately \$15.3 million and consists of 20 amortization bases. The District's estimated UAL payment for FY 2022 is approximately \$1.2 and is expected to increase to approximately \$1.8 million in FY 2032.

### **Discussion**

Municipal interest rates continue to be at favorable levels. Based on recent market interest rates, it is anticipated that the 2021 Bonds refunding will generate an estimated \$1.9 million in net present value savings, or roughly 13.6% of refunded par. Net present value savings represent the present value of savings in "today's dollars." It is anticipated that the savings will be structured on an "upfront" basis with a majority of the savings occurring in the first two fiscal years. Cash flow savings are estimated to be approximately \$990,000 in FY 2022, \$898,000 FY 2023, and \$36,000 thereafter, as summarized in the table below. The final savings levels will depend upon market conditions at the time of sale of the 2021 Bonds.

<b>Summary of Savings Results for 2021 Refunding Bonds*</b>	
<b>Prior Bonds</b>	
Outstanding Amount	\$13,890,000
Current Interest Rates (on Outstanding Bonds)	5.00%
<b>2021 Refunding Bonds</b>	
Bond Amount	\$15,385,000
True Interest Cost	2.35%
Net Present Value Savings (\$)	\$1,883,157
Net Present Value Savings (% of Par Value Refunded)	13.56%
<b>2021 Refunding Bonds – Cash Flow Savings</b>	
FY 2022	\$989,648
FY 2023	\$897,948
Thereafter	\$36,038
<b>Total</b>	<b>\$1,923,634</b>

*\*Based on current market conditions; preliminary, subject to change.*

Staff is recommending a Leveraged Refunding structure to apply savings from the 2021 Bonds refunding to pre-pay a portion of its UAL, which would effectively eliminate a portion of the District's \$15.3 million liability to CalPERS. The savings will be transferred to CalPERS in the form of Additional Discretionary Payments (ADPs). To maximize total savings, the District's municipal advisor recommends funding amortization bases with the longest terms.

After consulting with the District's municipal advisor, the District intends to apply the \$1.9 million in savings from the refinancing (\$989,000 in year 1 and \$898,000 in year 2) toward the 2013 Amortization Base #3, which has a balance of \$4,485,470 and a 24-year term.

Applying \$1.9 million in refunding savings generated over the next two years to Base #3 would result in the elimination of more than \$3.7 million in total UAL payments. As a result of the 2021 Bonds Refunding, it is anticipated that the District's UAL payments will decline beginning in FY 2023.

### **Financing Documents**

The subject Resolution approves the financing plan outlined above, appoints and retains the financing team (Urban Futures, Inc. as Municipal Advisor; Stradling Yocca Carlson & Rauth as Bond and Disclosure Counsel; and U.S. Bank National Association as Trustee), and approves all documents and actions needed to authorize the issuance and sale of the 2021 Bonds, including the following substantially final form financing documents together with any changes or additions deemed advisable and approved by the District:

- **Indenture** - This document contains the terms of the 2021 Bonds, including payment and redemption provisions, definition and pledge of Revenues to pay the 2021 Bonds, Rights and Duties of the Trustee, remedies upon a default in the payment of the 2021 Bonds, and final discharge of the 2021 Bonds and other related matters.
- **Preliminary Official Statement** - This is the District's document pursuant to which the 2021 Bonds will be offered for purchase by the public. This document must contain all facts material to the 2021 Bonds and the District (with certain permitted exceptions to be completed in the final Official Statement) and must not omit any such material facts.
- **Purchase Contract** - This document contains the obligation of the underwriter to accept and pay for the 2021 Bonds, provided that all of the covenants and representations of the District are met and certain other conditions excusing performance by the underwriter do not exist.
- **Continuing Disclosure Certificate** - Agreement by District to provide certain annual reports to investors in order to allow the underwriter to comply with federal securities laws.
- **Escrow Agreement**- among the District and the Escrow Agent (U.S. Bank National Association) relating to the deposit, investment, and administration of funds for the purpose of refinancing in full the 2013 Bonds.

If the Resolution and financing documents are approved by the Board, staff anticipates completing the sale of the 2021 Bonds during the week of July 26, 2021, with a delivery/closing date in August 2021. A portion of the proceeds of the 2021 Bonds will be held in an escrow account held by the U.S. Bank National Association, as Escrow Agent, and applied to pay and prepay the 2013 Bonds.

### **Recommendation**

It is recommended that the Board of Directors approve WWD Resolution No. 07-21-683, authorizing the issuance and sale of 2021 Bonds to refund the 2013 Bonds. Based on current interest rates, refunding the 2013 Bonds is estimated to generate debt service savings of approximately \$1.9 million. Applying \$1.9 million in savings generated over the next two years by the 2021 Bonds would result in the elimination of more than \$3.7 million in total UAL payments. The source of repayment for the debt service on the 2021 Bonds is net revenues of the District's water system.

### **Attachments**

1. Authorizing Resolution No. 07-21-683
2. Indenture of Trust
3. Preliminary Official Statement (Disclosure Document)
4. Bond Purchase Contract
5. Continuing Disclosure Certificate
6. Escrow Agreement (2013 Bonds)
7. Stradling Yocca Engagement Letter
8. Urban Futures Engagement Letter

**RESOLUTION NO. 07-21-683**

**RESOLUTION OF THE WALNUT VALLEY WATER DISTRICT  
BOARD OF DIRECTORS  
AUTHORIZING AND APPROVING THE ISSUANCE OF WATER REVENUE  
REFUNDING BONDS, APPROVING THE INDENTURE OF TRUST PURSUANT  
TO WHICH SUCH BONDS ARE TO BE ISSUED, A DISCLOSURE DOCUMENT,  
A BOND PURCHASE CONTRACT, A CONTINUING DISCLOSURE  
CERTIFICATE, AN ESCROW AGREEMENT AND OTHER DOCUMENTS IN  
CONNECTION WITH SUCH BONDS AND AUTHORIZING CERTAIN OTHER  
MATTERS RELATING THERETO**

**WHEREAS**, the Walnut Valley Water District (the “**District**”), is a California Water District that is duly created, established and authorized to transact business and exercise its powers under and pursuant to Division 13 of the California Water Code and the Constitution of the State of California; and

**WHEREAS**, the District previously entered into an Installment Purchase Contract, dated as of March 1, 2013 (the “**2013 Agreement**”), with the Puente Basin Water Agency (the “**Agency**”), pursuant to which the District agreed to pay installment payments to the Agency as the purchase price for certain capital improvements of the District’s water system (collectively, the “**2013 Project**”); and

**WHEREAS**, the 2013 Project was financed from proceeds of the Agency’s Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project) (the “**2013 Bonds**”); and

**WHEREAS**, the District is authorized pursuant to Articles 9 through 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code to issue bonds to prepay all amounts due under the 2013 Agreement, which will cause a corresponding redemption of all of the outstanding 2013 Bonds; and

**WHEREAS**, the District desires to provide for the issuance of its Water Revenue Refunding Bonds, Series 2021A (Federally Taxable) (with such changes as an Authorized Officer (as such term is defined herein) may approve, the “**Bonds**”) for the purposes of prepaying amounts payable under the 2013 Agreement and refunding the 2013 Bonds, paying costs of issuance of the Bonds and, if necessary, funding a deposit to (or procuring a letter of credit, insurance policy or other facility (each, a “**reserve surety**”) to provide for the funding of) a reserve fund for the Bonds; and

**WHEREAS**, the Bonds are to be issued under and pursuant to an Indenture of Trust, by and between the District and the trustee named therein (such Indenture of Trust in the form on file with the District Secretary, with such changes, insertions and deletions as are made pursuant to this Resolution, the “**Indenture**”); and

**WHEREAS**, the Bonds are to be secured by a pledge of Revenues and payable from Net Revenues of the District’s water system to the extent set forth in the Indenture; and

**WHEREAS**, Wells Fargo Bank, National Association, as underwriter (the “**Underwriter**”), has submitted a proposal to purchase the Bonds in the form of a Bond Purchase Contract (such

Bond Purchase Contract, in the form on file with the District Secretary, with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “**Purchase Contract**”); and

**WHEREAS**, in connection with the offering and sale of the Bonds there has been prepared a disclosure document in the form of a Preliminary Official Statement (such Preliminary Official Statement in the form on file with the District Secretary, with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “**Preliminary Official Statement**”); and

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

**WHEREAS**, in order to cause such requirement of Rule 15c2-12 to be satisfied, the District desires to execute a Continuing Disclosure Certificate (such Continuing Disclosure Certificate, in the form on file with the District Secretary, with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “**Continuing Disclosure Certificate**”); and

**WHEREAS**, in order to effect the refunding of the 2013 Bonds, the District desires to enter into an Escrow Agreement (2013 Bonds) with the Agency and U.S. Bank National Association, as trustee for the 2013 Bonds and escrow agent (such Escrow Agreement (2013 Bonds), in the form on file with the District Secretary, with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “**Escrow Agreement**”); and

**WHEREAS**, in compliance with Section 5852.1 of the California Government Code, the District has obtained from the Underwriter required good faith estimates relating to the Bonds, and such estimates are disclosed and set forth in Exhibit A hereto; and

**WHEREAS**, the Board of Directors of the District has been presented with the form of each document that is referred to herein relating to the refunding that is contemplated hereby, and the Board of Directors has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such refunding; and

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

**NOW THEREFORE, BE IT RESOLVED** by the Board of Directors of the Walnut Valley Water District:

1. Each of the above recitals is true and correct.
2. The Indenture, in substantially the form on file with the District Secretary, and made a part hereof as though set forth in full herein, is hereby approved. Each of the President, the Vice President, the General Manager, the Assistant General Manager and the District Secretary, or the written designee of one of the foregoing (the “**Authorized Officers**”), acting singly, is hereby authorized to execute and deliver the Indenture, in the name of and on behalf of the District, in substantially the form attached hereto, with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Indenture, said execution being conclusive evidence of such approval, and the District Secretary is hereby authorized to attest thereto.
3. Subject to the limitations specified in this Resolution, the issuance of the Bonds on the terms and conditions set forth in the Indenture is hereby authorized and approved. The aggregate principal amount of the Bonds shall not exceed \$16,000,000. The Bonds will be dated as provided in, will bear interest at the rates provided in, will mature on the date or dates provided in, will be issued in the form provided in, will have the sinking fund installments specified in, will be subject to redemption as provided in, and will have such other terms as shall be provided in, the Indenture, as the same is completed as provided in this Resolution. The net proceeds received from the sale of the Bonds shall be applied to such purposes as are set forth in the recitals to this Resolution in the manner provided in the Indenture.
4. The Purchase Contract, in substantially the form on file with the District Secretary, and made a part hereof as though set forth in full herein, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the Purchase Contract, in the name of and on behalf of the District, in substantially the form attached hereto, with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Purchase Contract, said execution being conclusive evidence of such approval, and the District Secretary is hereby authorized to attest thereto.

The Authorized Officer executing the Purchase Contract is hereby authorized to determine the purchase price to be paid for the Bonds under the Purchase Contract; provided, however, that the aggregate Underwriter’s discount (not including original issue discount) for the Bonds shall be not more than 0.315% of the aggregate principal amount of the Bonds, and provided that the issuance of the Bonds shall result in aggregate net present value debt service savings of at least 5% compared to debt service on the 2013 Bonds. The sale of the Bonds to the Underwriter on the terms and conditions contained in the Purchase Contract, as the same may be completed in accordance with the provisions of this Resolution, with such changes, insertions and deletions as are authorized hereby, is hereby approved and authorized.

5. The Preliminary Official Statement, in substantially the form on file with the District Secretary, and made a part hereof as though set forth in full herein, is hereby approved. Each of the Authorized Officers, acting singly, is hereby authorized to cause the Preliminary Official Statement to be delivered to the Underwriter, in substantially the form on file with the District Secretary, with such changes, insertions and deletions as may be approved by the Authorized Officer delivering the Preliminary Official Statement (including without limitation the insertion of the proposed terms of the Bonds), said delivery being conclusive evidence of such approval. The use of the Preliminary Official Statement in connection with the offering and

sale of the Bonds by the Underwriter, including delivery of the Preliminary Official Statement in electronic form, is hereby authorized and approved. Each of the Authorized Officers, acting singly, is hereby authorized to determine that the Preliminary Official Statement is deemed final for purposes of Rule 15c2-12.

The preparation and delivery to the Underwriter of a final Official Statement (the “**Official Statement**”) relating to the Bonds, and its use by the Underwriter in connection with the offering and sale of the Bonds, including delivery of the Official Statement in electronic form, is hereby approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Official Statement (including without limitation the insertion of the final terms of the Bonds), said execution being conclusive evidence of such approval. Each of the Authorized Officers, acting singly, is hereby authorized to execute the Official Statement, in the name and on behalf of the District, and thereupon to cause the Official Statement to be delivered to the Underwriter. Each of the Authorized Officers, acting singly, is hereby authorized to approve and execute any amendment or supplement to the Official Statement contemplated by the Purchase Contract, in the name and on behalf of the District, and thereupon to cause such amendment or supplement to be delivered to the Underwriter.

6. The Continuing Disclosure Certificate, in substantially the form on file with the District Secretary, and made a part hereof as though set forth in full herein, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the Continuing Disclosure Certificate, in the name of and on behalf of the District, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Continuing Disclosure Certificate, said execution being conclusive evidence of such approval, and the District Secretary is hereby authorized to attest thereto.

7. The Escrow Agreement, in substantially the form on file with the District Secretary, and made a part hereof as though set forth in full herein, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the Escrow Agreement, in the name of and on behalf of the District, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Escrow Agreement, said execution being conclusive evidence of such approval, and the District Secretary is hereby authorized to attest thereto.

8. The District wishes to engage Stradling Yocca Carlson & Rauth, a Professional Corporation (“**SYCR**”), as Bond Counsel and Disclosure Counsel in connection with the issuance of the Bonds. The engagement letter with SYCR, in substantially the form on file with the District Secretary, and made a part hereof as though set forth in full herein, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the engagement letter with SYCR, in the name of and on behalf of the District, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the engagement letter with SYCR, said execution being conclusive evidence of such approval, and the District Secretary is hereby authorized to attest thereto.



9. The District wishes to engage Urban Futures, Inc. (“UFI”), as Municipal Advisor in connection with the issuance of the Bonds. The engagement letter with UFI, in substantially the form on file with the District Secretary, and made a part hereof as though set forth in full herein, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the engagement letter with UFI, in the name of and on behalf of the District, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the engagement letter with UFI, said execution being conclusive evidence of such approval, and the District Secretary is hereby authorized to attest thereto.

10. The Authorized Officers are hereby authorized, empowered and directed, individually, to execute such other documents in addition to those enumerated herein and to take such other actions as each deems necessary or advisable in order to consummate the issuance of the Bonds and the refunding of the 2013 Bonds (including, but not limited to, executing escrow or redemption notices and/or instructions to be delivered in connection with the refunding of the 2013 Bonds). Such actions heretofore taken by the Authorized Officers or their designees are hereby ratified, confirmed and approved.

11. Each of the Authorized Officers is authorized to provide for all other services necessary to effect the matters that are described in this Resolution. Such services shall include, but not be limited to, trustee services, escrow verification services and any other services that are deemed appropriate by an Authorized Officer. Any one of the Authorized Officers is authorized to pay for the cost of such services and to enter into agreements as needed to engage such consultants.

12. This Resolution shall take effect immediately upon its adoption.

**ADOPTED AT A SPECIAL MEETING OF THE WALNUT VALLEY WATER DISTRICT  
HELD JULY 20, 2021**

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

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Scarlett Kwong  
President Board of Directors

ATTEST:

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Erik Hitchman  
Secretary, Board of Directors

## EXHIBIT A

### GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The good faith estimates set forth herein are provided with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the District by Wells Fargo Bank, National Association, the Underwriter of the Bonds.

Principal Amount. The Underwriter has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the principal amount of the Bonds is \$15,385,000 (the "**Estimated Principal Amount**").

True Interest Cost. The Underwriter has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 2.35%.

Finance Charge of the Bonds. The Underwriter has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$160,791.

Amount of Proceeds to be Received. The Underwriter has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$15,222,874.

Total Payment Amount. The Underwriter has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$19,021,866.

The foregoing constitute good faith estimates only. The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates; (b) the actual principal amount of Bonds sold being different from the Estimated Principal Amount; (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the District's financing plan, or a combination of such factors.

The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the District based on a variety of factors. Market interest rates are affected by economic and other factors beyond the control of the District.

**INDENTURE OF TRUST**

**Dated as of August 1, 2021**

**By and between**

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

**and the**

**WALNUT VALLEY WATER DISTRICT**

**Relating to**

**\$ \_\_\_\_\_  
WALNUT VALLEY WATER DISTRICT  
WATER REVENUE REFUNDING BONDS, SERIES 2021A  
(FEDERALLY TAXABLE)**

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01.	Definitions .....	3
Section 1.02.	Content of Certificates and Opinions.....	13
Section 1.03.	Interpretation.....	13

ARTICLE II

THE 2021 BONDS

Section 2.01.	Authorization of 2021 Bonds.....	14
Section 2.02.	Terms of the 2021 Bonds.....	14
Section 2.03.	Transfer of 2021 Bonds .....	15
Section 2.04.	Exchange of 2021 Bonds .....	15
Section 2.05.	Registration Books.....	15
Section 2.06.	Form and Execution of 2021 Bonds .....	16
Section 2.07.	2021 Bonds Mutilated, Lost, Destroyed or Stolen.....	16
Section 2.08.	Book Entry System .....	17

ARTICLE III

ISSUANCE OF 2021 BONDS; APPLICATION OF PROCEEDS

Section 3.01.	Issuance of the 2021 Bonds .....	19
Section 3.02.	Application of Proceeds of the 2021 Bonds .....	19
Section 3.03.	Establishment and Application of Costs of Issuance Fund.....	19
Section 3.04.	Validity of 2021 Bonds.....	20

ARTICLE IV

REDEMPTION OF 2021 BONDS

Section 4.01.	Terms of Redemption .....	20
Section 4.02.	Selection of 2021 Bonds for Redemption.....	21
Section 4.03.	Notice of Redemption.....	21
Section 4.04.	Partial Redemption of 2021 Bonds.....	21
Section 4.05.	Effect of Redemption.....	21

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01.	Pledge and Assignment; Revenue Fund .....	22
Section 5.02.	Allocation of Revenues.....	23
Section 5.03.	Application of Interest Account.....	24
Section 5.04.	Application of Principal Account .....	24

*TABLE OF CONTENTS*  
*(continued)*

	<u>Page</u>
Section 5.05.	Application of Redemption Fund ..... 24
Section 5.06.	Investments ..... 24
Section 5.07.	[Reserved]..... 25
Section 5.08.	Application of Rate Stabilization Reserve..... 25
Section 5.09.	Reserved ..... 25
Section 5.10.	Application of Funds and Accounts When No 2021 Bonds are Outstanding..... 25

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01.	Punctual Payment ..... 26
Section 6.02.	Extension of Payment of 2021 Bonds ..... 26
Section 6.03.	Against Encumbrances ..... 26
Section 6.04.	Power to Issue 2021 Bonds and Make Pledge and Assignment ..... 26
Section 6.05.	Accounting Records and Financial Statements ..... 26
Section 6.06.	[Reserved]..... 27
Section 6.07.	Waiver of Laws..... 27
Section 6.08.	Further Assurances ..... 27
Section 6.09.	Budgets ..... 27
Section 6.10.	Observance of Laws and Regulations..... 27
Section 6.11.	Compliance with Contracts..... 28
Section 6.12.	Prosecution and Defense of Suits ..... 28
Section 6.13.	Continuing Disclosure ..... 28
Section 6.14.	Additional Contracts and Bonds..... 28
Section 6.15.	Against Sale or Other Disposition of Property ..... 29
Section 6.16.	Against Competitive Facilities ..... 30
Section 6.17.	Maintenance and Operation of the Water System ..... 30
Section 6.18.	Payment of Claims..... 30
Section 6.19.	Insurance..... 30
Section 6.20.	Payment of Taxes and Compliance with Governmental Regulations ..... 31
Section 6.21.	Amount of Rates and Charges ..... 31
Section 6.22.	Collection of Rates and Charges..... 31
Section 6.23.	Eminent Domain Proceeds ..... 31
Section 6.24.	Enforcement of Contracts..... 32

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF 2021 BOND OWNERS

Section 7.01.	Events of Default ..... 32
Section 7.02.	Remedies Upon Event of Default ..... 33
Section 7.03.	Application of Revenues and Other Funds After Default..... 33
Section 7.04.	Trustee to Represent 2021 Bond Owners ..... 34
Section 7.05.	2021 Bond Owners' Direction of Proceedings ..... 35
Section 7.06.	Suit by Owners ..... 35
Section 7.07.	Absolute Obligation of the District..... 35
Section 7.08.	Remedies Not Exclusive..... 36

*TABLE OF CONTENTS*  
*(continued)*

Page

Section 7.09.	No Waiver of Default .....	36
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ARTICLE VIII

THE TRUSTEE

Section 8.01.	Duties, Immunities and Liabilities of Trustee .....	36
Section 8.02.	Merger or Consolidation.....	37
Section 8.03.	Liability of Trustee .....	37
Section 8.04.	Right to Rely on Documents.....	40
Section 8.05.	Preservation and Inspection of Documents .....	40
Section 8.06.	Compensation and Indemnification.....	41

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01.	Amendments Permitted .....	41
Section 9.02.	Effect of Supplemental Indenture .....	42
Section 9.03.	Endorsement of 2021 Bonds; Preparation of New 2021 Bonds .....	42
Section 9.04.	Amendment of Particular 2021 Bonds .....	43

ARTICLE X

DEFEASANCE

Section 10.01.	Discharge of Indenture .....	43
Section 10.02.	Discharge of Liability on 2021 Bonds.....	44
Section 10.03.	Deposit of Money or Securities with Trustee .....	44
Section 10.04.	Payment of 2021 Bonds After Discharge of Indenture.....	44

ARTICLE XI

MISCELLANEOUS

Section 11.01.	Liability of District Limited to Revenues.....	45
Section 11.02.	Successor Is Deemed Included in All References to Predecessor .....	45
Section 11.03.	Limitation of Rights to Parties and 2021 Bond Owners.....	45
Section 11.04.	Waiver of Notice; Requirement of Mailed Notice.....	45
Section 11.05.	Destruction of 2021 Bonds .....	46
Section 11.06.	Severability of Invalid Provisions .....	46
Section 11.07.	Notices .....	46
Section 11.08.	Evidence of Rights of 2021 Bond Owners .....	46
Section 11.09.	Disqualified 2021 Bonds .....	47
Section 11.10.	Money Held for Particular 2021 Bonds.....	47
Section 11.11.	Funds and Accounts.....	47
Section 11.12.	Waiver of Personal Liability.....	47
Section 11.13.	Execution in Several Counterparts .....	47

*TABLE OF CONTENTS*  
*(continued)*

	<i>Page</i>
Section 11.14. CUSIP Numbers .....	48
Section 11.15. Choice of Law.....	48
Section 11.16. Paired Obligation Provider Guidelines.....	48
Signatures .....	S-1
Exhibit A Form of 2021 Bond.....	A-1
Exhibit B Description of 2013 Project.....	B-1

## INDENTURE OF TRUST

THIS INDENTURE OF TRUST is made and entered into and dated as of August 1, 2021 (the “**Indenture**”), by and between the WALNUT VALLEY WATER DISTRICT, a California Water District that is duly organized and existing under Division 13 of the Water Code of the State of California (the “**District**”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association that is duly organized and existing under the laws of the United States of America, as trustee hereunder (the “**Trustee**”).

### RECITALS

A. The District desires to refinance certain capital improvements to its municipal water system as described in Exhibit B (collectively, the “**2013 Project**”), which improvements were previously financed from proceeds of Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project) (the “**2013 Bonds**”), that were issued by the Puente Basin Water Agency (the “**Agency**”).

B. In connection with the issuance of the 2013 Bonds, the District entered into an Installment Purchase Contract, dated as of March 1, 2013 (the “**2013 IPC**”), with the Agency, pursuant to which the District agreed to make certain installment payments to the Agency for the purchase of the 2013 Project.

C. The District is authorized pursuant to Articles 9 through 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code to issue revenue bonds for the purpose of prepaying the 2013 IPC.

D. In order to provide for the authentication and delivery of water revenue refunding bonds (the “**2021 Bonds**”), to establish and declare the terms and conditions upon which such 2021 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the District has authorized the execution and delivery of this Indenture.

E. The District has determined that all acts and proceedings which are required by law and necessary to make the 2021 Bonds, when executed by the District, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the District, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

### GRANTING CLAUSES

The District, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the 2021 Bonds by the owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all 2021 Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the “**Trust Estate**”) to the Trustee, and its successors in trust and assigns



forever, for the securing of the performance of the obligations of the District to the 2021 Bond Owners hereinafter set forth:

#### FIRST

All right, title and interest of the District in and to the Revenues (as such term is defined herein), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Revenues payable to or receivable by the District under the Constitution of the State, the Government Code of the State, the Indenture and any other applicable laws of the State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the District is or may become entitled to do thereunder, subject to the terms hereof.

#### SECOND

All moneys and securities held in funds and accounts of this Indenture, and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the District or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever for the benefit of the Owners, and such pledge shall constitute a lien on and security interest in such Trust Estate;

IN TRUST, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the 2021 Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the 2021 Bonds over any of the other 2021 Bonds;

PROVIDED, HOWEVER, that if the District, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the 2021 Bonds due or to become due thereon, at the times and in the manner provided in the 2021 Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all of the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, the Indenture and the rights hereby granted shall cease, terminate and be void; otherwise the Indenture shall remain in full force and effect.

It is expressly declared that all 2021 Bonds which are issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Revenues, which are hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the District has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2021 Bonds, as follows:

## ARTICLE I

### DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

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

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Agency. The term "Agency" means the Puente Basin Water Agency, a joint exercise of powers authority that is duly organized under the Amended, Restated and Renewed Joint Powers Agreement, dated October 28, 2009, by and between the District and Rowland Water District.

Authorized Officer. The term "Authorized Officer" means, with respect to the District, the President, the Vice President, the General Manager, the Assistant General Manager, the Secretary or any other person designated as an Authorized Officer of the District by a Certificate of the District signed by the President, the Vice President, the General Manager, the Assistant General Manager or the Secretary and filed with the Trustee.

Bond Counsel. The term "Bond Counsel" means Stradling Yocca Carlson & Rauth, a Professional Corporation, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bonds. The term "Bonds" means the 2021 Bonds and all other revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are payable from Net Revenues on a parity with the 2021 Bonds and which are secured by a pledge of and lien on Revenues as described in Section 5.01.

Business Day. The term "Business Day" means: (1) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed; or (2) a day on which the New York Stock Exchange is not closed.

Certificate; Direction; Request; Requisition. The terms "Certificate," "Direction," "Request" and "Requisition" of the District mean a written certificate, direction, request or requisition signed in the name of the District by its Authorized Officer. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

Closing Date. The term "Closing Date" means the date on which the 2021 Bonds are delivered to the original purchaser thereof.

Code. The term "Code" means the Internal Revenue Code of 1986, as amended.

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means the Continuing Disclosure Certificate dated the Closing Date, of the District relating to the 2021 Bonds, as originally executed or as it may be from time to time amended or supplemented in accordance with its terms.

Contracts. The term “Contracts” means all contracts of the District authorized and executed by the District, the payments under which are payable from Net Revenues on a parity with the 2021 Bonds and which are secured by a pledge and lien on Revenues as described in Section 5.01; but excluding contracts which are entered into for operation and maintenance of the Water System.

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale and delivery of the 2021 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2021 Bonds and any other cost, charge or fee in connection with the original issuance of the 2021 Bonds.

Costs of Issuance Fund. The term “Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.03.

Debt Service. The term “Debt Service” means, for any period of calculation, the sum of:

(1) the interest accruing during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(2) that portion of the principal amount of all outstanding serial Bonds maturing in such period or maturing in the next succeeding period accruing during such period, in each case computed as if such principal amounts were deemed to accrue daily during such period in equal amounts;

(3) that portion of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period or during the next succeeding period in each case computed as if such principal amounts were deemed to accrue daily during such period in equal amounts; and

(4) that portion of the Contracts required to be made during such period or during the next succeeding period, in each case computed as if such payments on such Contracts were deemed to accrue daily during such period in equal amounts (except to the extent that the interest portion of such Contracts is capitalized);

less the earnings derived from investment of moneys on deposit in any debt service reserve fund and any construction fund created with respect to any Contracts or Bonds to the extent that such earnings are deposited in a debt service fund, including the Payment Fund;

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be one hundred ten percent (110%) of the greater of: (a) the daily average interest rate on such Bonds or Contracts during the twelve (12) calendar months preceding the date of calculation (or the portion of the then current period that such Bonds or the principal amount of such Contracts have borne interest) or, if such Bonds or Contracts were not outstanding during such twelve (12) calendar month period, the daily average interest rate on bonds or installment payments with a similar basis for calculating interest; or (b) the most recent effective interest rate on such Bonds or Contracts prior to the date of calculation or, if such Bonds or Contracts were not then outstanding, the most recent effective interest rate on bonds or installment payments with a similar basis for calculating interest; and

provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Bonds or Contracts or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and in each preceding year until such amount is exhausted; and

provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such Paired Obligations, but only if the applicable Paired Obligations satisfy the requirement set forth in Section 11.16.

Depository; DTC. The term “Depository” or “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for the 2021 Bonds.

District. The term “District” means the Walnut Valley Water District, a California Water District that is duly organized and existing under Division 13 of the Water Code of the State of California.

Escrow Agent. The term “Escrow Agent” means U.S. Bank National Association, in its capacity as escrow agent under the Escrow Agreement.

Escrow Agreement. The term “Escrow Agreement” means the Escrow Agreement (2013 Bonds), by and among the District, the Agency and the Escrow Agent, relating to the refunding of the 2013 Bonds.

Escrow Fund. The term “Escrow Fund” means the fund by that name established under the Escrow Agreement.

Event of Default. The term “Event of Default” means any of the events specified in Section 7.01.

Federal Securities. The term “Federal Securities” means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or noncallable obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

Fiscal Year. The term “Fiscal Year” means the twelve month period beginning on July 1 of each year and ending on the next succeeding June 30, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of the District.

Fitch. The term “Fitch” means Fitch Ratings, Inc., or any successor thereto.

Generally Accepted Accounting Principles. The term “Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of August 1, 2021, by and between the District and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the District, each of whom is independent of the District pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the District, who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; (3) is not connected with the District as an officer or employee thereof, but who may be regularly retained to make reports thereto; and (4) is registered as a “municipal advisor,” as defined in Section 15B of the Securities Exchange Act of 1934, as amended.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may specify in a certificate to the Trustee.

Initial Rating Requirement. The term “Initial Rating Requirement” means the rating requirement described in Section 11.16(a).

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

Interest Payment Date. The term “Interest Payment Date” means \_\_\_\_\_ 1, 202\_\_ and each June 1 and December 1 thereafter.

Investment Agreement. The term “Investment Agreement” means any investment agreement (including guaranteed investment contracts, forward delivery agreements, repurchase agreements or similar obligations) with, or guaranteed by, an entity the long-term unsecured obligations or the claims paying ability of which are rated “A” or better by a nationally recognized rating agency (without regard to gradations or modifiers within such category) at the time of initial investment.

Letter of Representations. The term “Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the 2021 Bonds as book entry bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the District delivered to and accepted by the Depository.

Minimum Rating Requirement. The term “Minimum Rating Requirement” means the rating requirement described in Section 11.16(b).

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., or any successor thereto.

Net Proceeds. The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Net Revenues. The term “Net Revenues” means, for any period, the Revenues for such period less the Operation and Maintenance Costs for such period. When held by the Trustee in any funds or accounts established hereunder, Net Revenues shall include all interest or realized gain derived from the investment of amounts in any of such funds or accounts.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08.

Office. The term “Office” means with respect to the Trustee, the corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90017, Attention: Corporate Trust, Reference: Walnut Valley Water District 2021 Water Bonds, or such other or additional offices as may be specified in writing by the Trustee to the District, except that with respect to presentation of 2021 Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water

System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2021 Bonds or any Contracts or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (ii) costs spent or incurred in the purchase of water for the Water System; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges and any amounts transferred to the Rate Stabilization Reserve.

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of counsel (including but not limited to counsel to the District) selected by the District. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2021 Bonds, means (subject to the provisions of Section 11.09) all 2021 Bonds theretofore or thereupon being authenticated and delivered by the Trustee under the Indenture except: (i) 2021 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2021 Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 10.02, including 2021 Bonds (or portions thereof) described in Section 11.09; and (iii) 2021 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2021 Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2021 Bond Owner. The term “Owner” or “2021 Bond Owner,” whenever used herein with respect to a 2021 Bond, means the person in whose name the ownership of such 2021 Bond is registered on the Registration Books.

Paired Obligation Provider. The term “Paired Obligation Provider” means a party to a Paired Obligation other than the District.

Paired Obligations. The term “Paired Obligations” means any Bond or Contract (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered: (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (ii) the interest rates which, taken together, are reasonably expected to result in a fixed interest rate obligation of the District for the term of such Bond or Contract, as certified by an Independent Financial Consultant in writing, and which comply with the provisions of Section 11.16 hereof.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book entry certificates as securities depository.

Payment Fund. The term “Payment Fund” means the fund by that name established pursuant to Section 5.02.

Permitted Investments. The term “Permitted Investments” means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the District (provided that the Trustee shall be entitled to rely upon any investment directions from the District as conclusive certification to the Trustee that the investments described therein comply with any policy guidelines promulgated by the District and are so authorized under the laws of the State of California).

The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow agreements:

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation); and
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations; All direct or fully guaranteed obligations; Farmers Home Administration; General Services Administration; Guaranteed Title XI financing; Government National Mortgage Association (GNMA); and State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts:

- (c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank; Rural Economic Community Development Administration; Federal Farm Credit Bureau; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration and Federal Financing Bank;
- (d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); Obligations of the Resolution Funding Corporation (REFCORP); Senior debt obligations of the Federal Home Loan Bank System; and Senior debt obligations of other Government Sponsored Agencies;
- (e) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which may include the Trustee and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s or “A-1” by S&P and which matures not more than 270 calendar days after the date of purchase;



(g) Investments in a money market fund rated “AAm”, “AAAm” or “AAAm-G” or better by S&P, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding the fact that: (i) the Trustee or an affiliate of the Trustee receives and retains fees from funds for services provided to the fund; (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds; and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(h) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:

(1) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or

(2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(i) Municipal obligations rated “Aaa/AAA” or general obligations of states with a rating of “A2/A” or higher by both Moody’s and S&P;

(j) Investment Agreements (supported by appropriate opinions of counsel);

(k) the Local Agency Investment Fund of the State, 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;

(l) Shares of beneficial interest issued by a joint powers authority organized pursuant to California Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of California Government Code § 53601(p); and

(m) Certificates of deposit insured by the Federal Deposit Insurance Corporation.

The value of the above investments shall be determined as follows: (a) for the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at cost; (b) as to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and (c) as to any investment not specified above: the value thereof established by prior agreement among the District and the Trustee.

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

Rate Stabilization Reserve. The term “Rate Stabilization Reserve” means the fund by that name established pursuant to Section 5.08.

Rating. The term “Rating” means any currently effective rating on the 2021 Bonds issued by a Rating Agency.

Rating Agencies. The term “Rating Agencies” means S&P, Moody’s or Fitch, as the context dictates.

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

Redemption Date. The term “Redemption Date” means the date fixed for a redemption prior to maturity of the 2021 Bonds.

Redemption Fund. The term “Redemption Fund” means the fund by that name established pursuant to Section 5.05.

Redemption Price. The term “Redemption Price” means, with respect to any 2021 Bond (or portion thereof), the principal amount of such 2021 Bond (or portion) plus the interest accrued to the applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2021 Bond and the Indenture.

Registration Books. The term “Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2021 Bonds pursuant to Section 2.05.

Responsible Officer of the Trustee. The term “Responsible Officer of the Trustee” means any officer within the corporate trust services division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee within the Office (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Office because of such person’s knowledge of any familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

Revenue Fund. The term “Revenue Fund” means the water fund of the District and/or such other fund or account of the District in which Revenues are deposited.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, including, without limiting the generality of the foregoing: (1) all income, rents, rates, fees, charges or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities and commodities sold, furnished or supplied through the facilities or in the conduct or operation of the business of the Water System; (2) the proceeds of 1% *ad valorem* property taxes, stand-by or water availability charges and similar fees and charges collected by or allocated to the District; and (3) the

earnings on and income derived from the investment of amounts described in clauses (1) and (2) above, and from amounts in Water System reserves (other than the Rate Stabilization Reserve); but excluding: (i) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; (ii) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations heretofore or hereafter issued; and (iii) acreage supply charges, reservoir capacity charges, water supply charges and other developer fees or capital contributions the use of which is restricted by law.

"Revenues" also include all amounts transferred from the Rate Stabilization Reserve to the Revenue Fund during any Fiscal Year or up to 120 days after the end of any Fiscal Year for application during such prior Fiscal Year in accordance with Section 5.08 and do not include any amounts transferred from the Revenue Fund to the Rate Stabilization Reserve during any Fiscal Year in accordance with 5.01(b)(iv).

S&P. The term "S&P" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, or any successor thereto.

Securities Depositories. The term "Securities Depositories" means The Depository Trust Company; 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 Written Request of the District delivered to the Trustee.

State. The term "State" means the State of California.

Supplemental Indenture. The term "Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the District and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

Trustee. The term "Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor as Trustee hereunder as provided in Section 8.01.

2013 IPC. The term "2013 IPC" means the Installment Purchase Contract, dated as of March 1, 2013, by and between the District and the Agency, relating to the 2013 Bonds.

2013 Bonds. The term "2013 Bonds" means the Agency's Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project), pursuant to which the 2013 Project was financed.

2013 Project. The term "2013 Project" means those components of the Water System that are described in Exhibit B, which were financed from proceeds of the 2013 Bonds.

2021 Bonds. The term "2021 Bonds" means the Walnut Valley Water District Water Revenue Refunding Bonds, Series 2021A (Federally Taxable) issued by the District and at any time Outstanding pursuant to the Indenture.

Water Service. The term "Water Service" means the potable and recycled water distribution service that is made available or provided by the Water System.

Water System. The term “Water System” means the entire potable and recycled water supply, treatment, storage and distribution system of the District, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the District for the supply, treatment and storage of water to residents of the District and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.

Written Consent of the District; Written Order of the District; Written Request of the District; Written Requisition of the District. The terms “Written Consent of the District,” “Written Order of the District,” “Written Request of the District” and “Written Requisition of the District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the District by an Authorized Officer of the District or by any two persons who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in the Indenture except the certificate of destruction provided for in Section 11.05, with respect to compliance with any provision hereof shall include: (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (c) a statement that, in the opinion of such person he or she has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter that is referred to in the instrument to which his or her signature is affixed; (d) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

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

Section 1.03. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for

convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

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

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

## ARTICLE II

### THE 2021 BONDS

Section 2.01. Authorization of 2021 Bonds. The District hereby authorizes the issuance hereunder from time to time of the 2021 Bonds, which shall constitute special obligations of the District, for the purpose of refinancing the 2013 Project. The 2021 Bonds are hereby designated the “Walnut Valley Water District Water Revenue Refunding Bonds, Series 2021A (Federally Taxable)” in the aggregate principal amount of \$\_\_\_. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2021 Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2021 Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the 2021 Bonds. The 2021 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The 2021 Bonds shall mature on June 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<i><b>Maturity Date</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>
<i><b>(June 1)</b></i>		
202__	\$	%

Interest on the 2021 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date. Principal of and premium (if any) on any 2021 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the 2021 Bonds shall be payable in lawful money of the United States of America.

Each 2021 Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before \_\_\_\_ 15, 202\_\_, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2021 Bond, interest thereon is in default, such 2021 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the 2021 Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

Section 2.03. Transfer of 2021 Bonds. Any 2021 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2021 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any 2021 Bond during the period in which the Trustee is selecting 2021 Bonds for redemption and any 2021 Bond that has been selected for redemption.

Whenever any 2021 Bond or 2021 Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and shall deliver a new 2021 Bond or 2021 Bonds of authorized denomination or denominations for a like aggregate principal amount of the same maturity. The Trustee shall require the 2021 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2021 Bonds, the Trustee will cancel and destroy the 2021 Bonds that it has received.

Prior to any transfer of the 2021 Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 2.04. Exchange of 2021 Bonds. 2021 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same maturity. The Trustee shall not be required to exchange any 2021 Bond during the period in which the Trustee is selecting 2021 Bonds for redemption and any 2021 Bond that has been selected for redemption. The Trustee shall require the 2021 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2021 Bonds, the Trustee will cancel and destroy the 2021 Bonds that it has received.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2021 Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the District and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2021 Bonds as hereinbefore provided.

The person in whose name any 2021 Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal and

Redemption Price of by such 2021 Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such 2021 Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2021 Bonds. The 2021 Bonds shall be in substantially the form set forth in Exhibit A. The 2021 Bonds shall be executed in the name and on behalf of the District with the manual or facsimile signature of its President or General Manager. The 2021 Bonds may carry a seal, and such seal may be in the form of a facsimile of the District's seal and may be reproduced, imprinted or impressed on the 2021 Bonds. The 2021 Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the 2021 Bonds shall cease to be such officer or officers of the District before the 2021 Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the District, such 2021 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the District as though those who signed and attested the same had continued to be such officers of the District, and also any 2021 Bonds may be signed and attested on behalf of the District by such persons as at the actual date of execution of such 2021 Bonds shall be the proper officers of the District although at the nominal date of such 2021 Bonds any such person shall not have been such officer of the District.

Only such of the 2021 Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A, manually or electronically executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the 2021 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. 2021 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2021 Bond shall become mutilated, the District, at the expense of the Owner of said 2021 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2021 Bond of like tenor and authorized denomination in exchange and substitution for the 2021 Bonds so mutilated, but only upon surrender to the Trustee of the 2021 Bond so mutilated. Every mutilated 2021 Bond so surrendered to the Trustee shall be canceled by it and upon the Written Request of the District delivered to, or upon the order of, the District. If any 2021 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2021 Bond of like tenor and authorized denomination in lieu of and in substitution for the 2021 Bond so lost, destroyed or stolen (or if any such 2021 Bond shall have matured or shall be about to mature, instead of issuing a substitute 2021 Bond, the Trustee may pay the same without surrender thereof). The District may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2021 Bond issued under this Section and of the expenses which may be incurred by the District and the Trustee in the premises. Any 2021 Bond issued under the provisions of this Section in lieu of any 2021 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the 2021 Bond so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other 2021 Bonds secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of delivering a new 2021 Bond for a 2021 Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such 2021 Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the 2021 Bonds, the District may provide that such 2021 Bonds shall be initially issued as book entry 2021 Bonds. If the District shall elect to deliver any 2021 Bonds in book entry form, then the District shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2021 Bonds in an authorized denomination corresponding to that total principal amount of the 2021 Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2021 Bond shall be registered in the 2021 Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the 2021 Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

With respect to book entry 2021 Bonds, the District and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry 2021 Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry 2021 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2021 Bond Registration Books, of any notice with respect to book entry 2021 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2021 Bonds to be redeemed in the event that the District redeems the 2021 Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest on book entry 2021 Bonds. The District and the Trustee may treat and consider the person in whose name each book entry 2021 Bond is registered in the 2021 Bond Registration Books as the absolute Owner of such book entry 2021 Bond for the purpose of payment of principal of, premium and interest on such 2021 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2021 Bond, for the purpose of registering transfers with respect to such 2021 Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2021 Bonds only to or upon the order of the respective Owner, as shown in the 2021 Bond Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the 2021 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2021 Bond Registration Books, shall receive a 2021 Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2021 Bonds. Upon delivery by the Depository to the District and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry 2021 Bonds for the Depository's book entry system, the District and the Trustee (if required by the Depository) shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in such book entry 2021 Bonds other than the Owners, as shown on the 2021 Bond Registration Books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the District and the Trustee



shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry 2021 Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book entry 2021 Bonds; or (ii) the District determines that continuation of the book entry system is not in the best interest of the beneficial owners of the 2021 Bonds or the District, then the District will discontinue the book entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered 2021 Bond for each of the maturity dates of such book entry 2021 Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the District fails to identify another qualified securities depository to replace the Depository, then the 2021 Bonds shall no longer be restricted to being registered in such 2021 Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such 2021 Bonds shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding 2021 Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such 2021 Bond and all notices with respect to such 2021 Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of 2021 Bonds to Substitute Depository.

(i) The 2021 Bonds shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such 2021 Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.08(e) (a “**Substitute Depository**”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clauses (A) or (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2021 Bonds by the Trustee, together with a Written Request of the District to the Trustee designating the Substitute Depository, a single new

2021 Bond, which the District shall prepare or cause to be prepared, shall be issued for each maturity of 2021 Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the District. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2021 Bonds by the Trustee, together with a Written Request of the District to the Trustee, new 2021 Bonds, which the District shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the District, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new 2021 Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the District.

(iii) In the case of a partial redemption or an advance refunding of any 2021 Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such 2021 Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such 2021 Bonds shall be controlling.

(iv) The District and the Trustee shall be entitled to treat the person in whose name any 2021 Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2021 Bonds. Neither the District nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any 2021 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2021 Bonds.

### ARTICLE III

#### ISSUANCE OF 2021 BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the 2021 Bonds. At any time after the execution of the Indenture, the District may execute and the Trustee shall authenticate and, upon Written Request of the District, deliver the 2021 Bonds in the aggregate principal amount of \$\_\_\_.

Section 3.02. Application of Proceeds of the 2021 Bonds. The proceeds of the sale of the 2021 Bonds in the amount of \$\_\_\_\_\_ shall be delivered to the Trustee, who shall:

- (a) transfer \$\_\_\_\_\_ to the Escrow Agent for deposit in the Escrow Fund; and
- (b) deposit \$\_\_\_\_\_ into the Costs of Issuance Fund.

The Trustee may establish temporary funds or accounts in its records to record and facilitate such deposits.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The

moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the District stating the person to whom payment is to be made, the amount to be paid along with payment instructions, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made. Each such Written Requisition of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the six month anniversary of the issuance of the 2021 Bonds, or upon the earlier Written Request of the District, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Interest Account and the Costs of Issuance Fund shall be closed. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be applied in accordance with Section 5.06 hereof.

Section 3.04. Validity of 2021 Bonds. The validity of the authorization and issuance of the 2021 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the District or the Trustee with respect to any other agreement. The recital contained in the 2021 Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

#### ARTICLE IV

#### REDEMPTION OF 2021 BONDS

Section 4.01. Terms of Redemption.

(a) The 2021 Bonds with stated maturities on or after June 1, 20\_\_, shall be subject to redemption prior to their respective stated maturities, as a whole or in part on \_\_\_\_ 1, 20\_\_, or any date thereafter, as directed by the District in a Written Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

(b) The 2021 Bonds with a stated maturity on June 1, 20\_\_ are subject to mandatory sinking fund redemption prior to maturity, in part (by lot), on June 1, 20\_\_ and each June 1 thereafter to maturity, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the Redemption Date, without premium, in accordance with the following schedule:

<i>Redemption Date</i> <i>(June 1)</i>	<i>Principal Amount</i>
	\$

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\* Final Maturity.

In the event of an optional redemption of the Bonds maturing on June 1, 20\_\_, pursuant to Section 4.01(a), the District shall provide the Trustee with a revised sinking fund schedule giving effect to such optional redemption.

Section 4.02. Selection of 2021 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2021 Bonds, the Trustee shall select the 2021 Bonds for redemption as a whole or in part among maturities on any date as directed by the District and by lot within each maturity in integral multiples of \$5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the District in writing of the numbers of the 2021 Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. Notice of redemption shall be sent electronically or mailed by first class mail at least twenty (20) days but not more than sixty (60) days before any Redemption Date, to the respective Owners of any 2021 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the Redemption Date, the place or places of redemption, the Redemption Price, the maturities, CUSIP numbers, if any, and, in the case of 2021 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the Redemption Date there will become due and payable on each of said 2021 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2021 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon shall cease to accrue, and shall require that such 2021 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2021 Bond. Notice of redemption of 2021 Bonds shall be given by the Trustee, at the expense of the District, for and on behalf of the District.

With respect to any notice of optional redemption of 2021 Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2021 Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2021 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of 2021 Bonds. Upon surrender of any 2021 Bond redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the District, a new 2021 Bond or 2021 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2021 Bonds surrendered and of the same interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2021 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2021 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2021 Bonds so called for redemption shall cease to accrue, said 2021 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2021 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof. The Trustee

shall, upon surrender for payment of any of the 2021 Bonds to be redeemed on their Redemption Dates, pay such 2021 Bonds at the Redemption Price.

All 2021 Bonds redeemed pursuant to the provisions of this Article shall be canceled and destroyed upon surrender thereof to the Trustee.

## ARTICLE V

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

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

(a) All of the Revenues, all amounts held in the Revenue Fund described in subsection (b) below and any other amounts (including proceeds of the sale of the 2021 Bonds) held in any fund or account established pursuant to the Indenture (but excluding amounts held in the Rate Stabilization Reserve) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2021 Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues shall not be used for any other purpose while the 2021 Bonds remain Outstanding; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. Said pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created hereunder for the payment of the principal of and interest, and the premium, if any, on the 2021 Bonds and all Contracts and Debt Service on Bonds in accordance with the terms hereof, and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the District, irrespective of whether such parties have notice hereof.

(b) In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in the Revenue Fund, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as the 2021 Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided herein. All moneys in the Revenue Fund shall be held in trust and shall be applied, used and withdrawn for the purposes set forth in this Section.

The District shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund shall be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority:

(i) Interest and Principal Payments. Not later than the Business Day prior to each Interest Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Payment Fund or the Redemption Fund the payments of interest and principal or mandatory sinking fund payments, as applicable, on the 2021 Bonds due and payable on such Interest Payment Date. The District shall also, from the moneys in the Revenue Fund, transfer

to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. After making the payments, allocations or transfers provided for in subsection (i) above, the District shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such other reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement applicable to such Bonds or Contracts, as applicable.

(iii) Subordinate Obligations. After making the payments, allocations or transfers provided for in subsections (i) and (ii) above, the District shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any debt service on obligations which are payable from Net Revenues on a subordinate basis to Bonds and Contracts.

(iv) Surplus. Moneys on deposit in the Revenue Fund on any date when the District reasonably expects such moneys will not be needed for the payment of Operation and Maintenance Costs or any of the purposes described in clauses (b)(i), (b)(ii) or (b)(iii) may be deposited in the Rate Stabilization Reserve or expended by the District at any time for any purpose permitted by law.

(v) Investments. All moneys held by the District in the Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

Section 5.02. Allocation of Revenues. There is hereby established with the Trustee the Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2021 Bonds remain unpaid. Except as directed herein, all payments of interest and principal on the 2021 Bonds received by the Trustee pursuant to Section 5.01(b) shall be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All payments of interest and principal on the 2021 Bonds deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall also establish and hold an Interest Account and a Principal Account within the Payment Fund.

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

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount

on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2021 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there shall be in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2021 Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of the 2021 Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2021 Bonds coming due and payable on such date. No deposit need be made into the Principal Account so long as there shall be in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2021 Bonds then Outstanding.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2021 Bonds as it shall become due and payable (including accrued interest on any 2021 Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2021 Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2021 Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2021 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2021 Bonds.

Section 5.05. Application of Redemption Fund. There is hereby established with the Trustee a special fund designated as the "Redemption Fund." All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the 2021 Bonds to be redeemed on any Redemption Date pursuant to Section 4.01; provided, however, that at any time prior to selection for redemption of any such 2021 Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2021 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2021 Bonds.

Section 5.06. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the District pursuant to a Written Request of the District filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the District, the Trustee shall invest any such moneys in Permitted Investments described in clause (g) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the District specifying a specific money market fund and, if no such written direction from the District is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Interest Account unless otherwise provided in the Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon the Written Request of the District. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. All investment earnings on amounts in the Rate Stabilization Reserve shall be held in the Rate Stabilization Reserve. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.06.

The District acknowledges that to the extent that 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. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the District with periodic cash transaction statements which shall include detail for all investment transactions effected by the Trustee hereunder. Upon the District's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately. In making any valuations of investments hereunder, the Trustee may utilize and rely on generally recognized pricing information services (including brokers and dealers in securities) that may be available to the Trustee, including those available through the Trustee accounting system.

Section 5.07. [Reserved].

Section 5.08. Application of Rate Stabilization Reserve. There is hereby established a special fund designated as the "Rate Stabilization Reserve" which is held by the District in trust hereunder, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as the 2021 Bonds remain outstanding. On the Closing Date, there will be at least \$1,543,125 on deposit in the Rate Stabilization Reserve. Money transferred by the District from the Revenue Fund to the Rate Stabilization Reserve in accordance with Section 5.01(b)(iv) shall be held in the Rate Stabilization Reserve and applied in accordance herewith.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Reserve and transfer such amounts to the Revenue Fund for application in accordance with Section 5.01 hereof or, in the event that all or a portion of the 2021 Bonds are discharged in accordance with Article X hereof, transfer all or any portion of such amounts for application in accordance with said Article.

Section 5.09. Reserved.

Section 5.10. Application of Funds and Accounts When No 2021 Bonds are Outstanding. On the date on which all 2021 Bonds shall be retired hereunder or provision made therefor pursuant



to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the District for use by the District at any time for any purpose permitted by law.

## ARTICLE VI

### PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The District shall punctually pay or cause to be paid the principal and interest to become due in respect of all of the 2021 Bonds, in strict conformity with the terms of the 2021 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.02. Extension of Payment of 2021 Bonds. The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2021 Bonds or the time of payment of any claims for interest by the purchase of such 2021 Bonds or by any other arrangement, and in case the maturity of any of the 2021 Bonds or the time of payment of any such claims for interest shall be extended, such 2021 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the 2021 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the District to issue Bonds for the purpose of refunding any Outstanding 2021 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of 2021 Bonds.

Section 6.03. Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. The District may at any time, or from time to time, execute Contracts or issue Bonds as permitted herein. The District may also at any time, or from time to time, incur evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of lien on Revenues on any moneys in the Revenue Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.04. Power to Issue 2021 Bonds and Make Pledge and Assignment. The District is duly authorized pursuant to law to issue the 2021 Bonds, to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The 2021 Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the District in accordance with their terms, and the District shall and the Trustee may, at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the 2021 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records and Financial Statements.

(a) The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of

2021 Bonds and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the District upon reasonable prior notice during business hours and under reasonable circumstances.

(b) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by the Trustee (which shall have no duty to inspect such records) at reasonable hours and under reasonable conditions.

(c) The District will prepare and file with the Trustee annually within two hundred seventy (270) days of each Fiscal Year (commencing with the Fiscal Year ended June 30, 2021) financial statements of the District for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon. The Trustee shall have no duty to review, verify or analyze such financial statements, and shall hold such financial statements solely as a repository for the benefit of the 2021 Bond Owners. The Trustee shall not be deemed to have notice of any information contained therein, or default or Event of Default which may be disclosed therein in any manner.

Section 6.06. [Reserved].

Section 6.07. Waiver of Laws. The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the 2021 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the District to the extent permitted by law.

Section 6.08. Further Assurances. The District will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the 2021 Bonds of the rights and benefits provided in the Indenture.

Section 6.09. Budgets. On or prior to the fifteenth day of each Fiscal Year, the District shall certify to the Trustee that the amounts budgeted for payment of the principal of and interest on the 2021 Bonds are fully adequate for the payment of all such payments for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of the principal of and interest on the 2021 Bonds due under the Indenture, the District will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the District in the then ensuing Fiscal Year for the payment of the principal of and interest on the 2021 Bonds due under the Indenture and will notify the Trustee of the proceedings then taken or proposed to be taken by the District.

Section 6.10. Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on the District by contract, or prescribed by any law of the United States of America, or of the State, 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, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.11. Compliance with Contracts. The District will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the District to pay principal of or interest on the 2021 Bonds; and the District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System, to the extent that the District is a party thereto.

Section 6.12. Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee or any 2021 Bond Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee (including all of its employees, officers and directors) and every 2021 Bond Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The District shall defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or any 2021 Bond Owner upon any claim arising out of the receipt, application or disbursement of any of the payments of principal of or interest on the 2021 Bonds or involving the rights of the Trustee or any 2021 Bond Owner under the Indenture; provided that the Trustee or any 2021 Bond Owner at such party's election may appear in and defend any such suit, action or proceeding. The District shall indemnify and hold harmless the Trustee and the 2021 Bond Owners against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the 2021 Bond Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation (including pre-litigation activities) to which any of them may become a party by reason of ownership of 2021 Bonds, except to the extent that any such liability results from the negligence or willful misconduct of the Trustee or any of the 2021 Bond Owners. The District shall promptly reimburse any 2021 Bond Owner in the full amount of any attorneys' fees or other expenses which such Owner may incur in litigation or otherwise in order to enforce such party's rights under the Indenture or the 2021 Bonds, provided that such litigation shall be concluded favorably to such party's contentions therein.

Section 6.13. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be executed and delivered by the District in connection with the issuance of the 2021 Bonds. Notwithstanding any other provision of the Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. For purposes of this Section, "**Beneficial Owner**" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2021 Bonds (including persons holding 2021 Bonds through nominees, depositories or other intermediaries).

Section 6.14. Additional Contracts and Bonds. The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(a) The Net Revenues for the most recent audited Fiscal Year or any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year or twelve month period, as applicable; and

(b) The Net Revenues for the most recent audited Fiscal Year or any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year or twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of: (i) the Debt Service for such Fiscal Year or twelve month period, as applicable; plus (ii) the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or twelve month period; plus (iii) the Debt Service which would have accrued had such proposed additional Contract been executed or such proposed additional Bonds been issued at the beginning of such Fiscal Year or twelve month period.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if aggregate Debt Service after the issuance of such Bonds or execution of such Contracts is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts. Furthermore, notwithstanding the foregoing, the District may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Revenues or money in the Revenue Fund as may from time to time be deposited therein subordinate to the 2021 Bonds.

Section 6.15. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Revenues for the payment of the principal of and interest on the 2021 Bonds, or which would otherwise impair the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the principal of and interest on the 2021 Bonds and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing herein shall restrict the ability of the District to sell any portion of the Water System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water System.

Section 6.16. Against Competitive Facilities. To the extent that it can so legally obligate itself, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any municipal water system competitive with the Water System.

Section 6.17. Maintenance and Operation of the Water System. The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.18. Payment of Claims. The District will pay and discharge any and all lawful and undisputed claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the principal of or interest on the 2021 Bonds or to the Owners prior or superior to the lien under the Indenture. The District may contest any such claim that it in good faith disputes, so long as any such action does not materially impact the District's ability to timely make all payments of principal and interest on the 2021 Bonds.

Section 6.19. Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be applied by the District in any manner permitted by law.

(b) The District will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal retail water systems similar to the Water System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is

maintained in the amounts and manner usually maintained in connection with municipal retail water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

(d) All policies of insurance required to be maintained herein shall provide that the Trustee be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Section 6.20. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.21. Amount of Rates and Charges. To the fullest extent permitted by law, the District shall fix and prescribe, at the beginning of each Fiscal Year, rates, fees and charges for the Water Service which are reasonably expected, at the beginning of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this Section.

Section 6.22. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

Section 6.23. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) (1) if the District files with the Trustee a certificate showing: (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the District from such Net Proceeds; and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (2) the District, on the basis of such certificate filed with the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the optional redemption of the 2021 Bonds in accordance with

Section 4.01(a), or, if applicable, to the defeasance of the 2021 Bonds as set forth in Article X, and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2021 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.24. Enforcement of Contracts. The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay principal of and interest on the 2021 Bonds.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF 2021 BOND OWNERS

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

(a) Default by the District in the due and punctual payment of the principal of any 2021 Bonds, the principal of any Bonds or the principal with respect to any Contract, when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the District in the due and punctual payment of any installment of interest on any 2021 Bonds, any installment of interest on any Bond or any installment of interest with respect to any Contract, when and as the same shall become due and payable.

(c) Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2021 Bonds, or required by any Bond or indenture relating thereto or by any Contract, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2021 Bonds Outstanding, a majority in principal amount of such Bond outstanding, or a majority in principal amount outstanding with respect to such Contract, as applicable; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such sixty (60) day period, and corrective action is instituted by the District within such sixty (60) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder; provided, however, that such extended cure period shall not be longer than 180 days from the delivery date of such default notice.

(d) The District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

(e) Payment of the principal of any Bond or with respect to any Contract is accelerated in accordance with its terms.

Section 7.02. Remedies Upon Event of Default. If any Event of Default specified in Section 7.01(d) or (e) shall occur and be continuing, the Trustee shall, and for any other Event of Default, the Trustee may, and, at the written direction of the Owners of not less than a majority in aggregate principal amount of the 2021 Bonds at the time Outstanding, shall, in each case, upon notice in writing to the District, declare the principal of all of the 2021 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration, the same shall become and shall be immediately due and payable, anything in the Indenture or in the 2021 Bonds contained to the contrary notwithstanding.

Nothing contained herein shall permit or require the Trustee to accelerate payments due under the Indenture if the District is not in default of its obligation hereunder.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the 2021 Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective 2021 Bonds to the extent permitted by law, and the reasonable fees, disbursements and expenses of the Trustee, or shall deposit with the applicable trustee with respect to any Contract a sum sufficient to pay all the principal and installments of interest with respect to such Contract payment of which is overdue, with interest on such overdue principal at the rate borne by such Contract to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Contract, or shall deposit with the applicable trustee with respect to any Bond a sum sufficient to pay all the principal of and installment of interest on such Bond payment of which is overdue, with interest on such overdue principal at the rate borne by such Bonds to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Bonds, and any and all other Events of Default actually known to a Responsible Officer of the Trustee or the applicable trustee with respect to such Contract or Bonds (other than in the payment of principal of and interest on the 2021 Bonds, payment of principal and interest with respect to such Contract or payment of principal and interest on such Bond, as applicable, due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee shall on behalf of the Owners of all of the 2021 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues held or thereafter received by the Trustee and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2021 Bonds, Contracts or Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;



(b) To the payment of Operation and Maintenance Costs; and

(c) To the payment of the principal of and interest then due on the 2021 Bonds (upon presentation of the 2021 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid), in accordance with the provisions of the Indenture, and to the payment of the principal and interest then due with respect to such Contract in accordance with the provisions thereof and the payment of the principal of and interest then due on such Bonds in accordance with the provisions thereof and of any indenture related thereto, in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due on the 2021 Bonds, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any 2021 Bonds, principal with respect to such Contract or principal of any Bonds, as applicable, which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the 2021 Bonds, all amounts due under such Contract or all the Bonds, as applicable, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: If there shall exist any remainder after the foregoing payments, such remainder shall be paid to the District.

Section 7.04. Trustee to Represent 2021 Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2021 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the 2021 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2021 Bonds or the Indenture and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2021 Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2021 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2021 Bonds or the Indenture or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2021 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2021 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall

be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2021 Bonds, subject to the provisions of the Indenture.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any 2021 Bond Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any 2021 Bond Owner thereof, or to authorize the Trustee to vote in respect of the claim of any 2021 Bond Owner in any such proceeding without the approval of the 2021 Bond Owners so affected.

Section 7.05. 2021 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2021 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee (which determination the Trustee has no duty to make) would be unjustly prejudicial to 2021 Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2021 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture with respect to such 2021 Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2021 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2021 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2021 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2021 Bonds shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2021 Bonds, or to enforce any right under the 2021 Bonds, the Indenture, or applicable law with respect to the 2021 Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2021 Bonds, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the District. Nothing in this Section 7.07 or in any other provision of the Indenture or in the 2021 Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2021 Bonds to the respective Owners of the 2021 Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged

therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2021 Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2021 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2021 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

## ARTICLE VIII

### THE TRUSTEE

#### Section 8.01. Duties, Immunities and Liabilities of Trustee.

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

(b) The District may remove the Trustee at any time upon thirty (30) days' prior notice, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2021 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the District and by giving the 2021 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the retiring Trustee or any

2021 Bond Owner (on behalf of such 2021 Bond Owner and all other 2021 Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all of the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all of the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the District shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the 2021 Bonds and to the 2021 Bond Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the District.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Seventy Five Million Dollars (\$75,000,000), and subject to supervision or examination for federal or state authority. If such bank, banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 8.02. Merger or Consolidation. Any trust company, banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such trust company, banking association or bank shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the 2021 Bonds shall be taken as statements of the District, and the Trustee shall not assume responsibility for the correctness of the same, or

make any representations as to the validity or sufficiency of the Indenture or the 2021 Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2021 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2021 Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2021 Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as 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 2021 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2021 Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the 2021 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the District or the Owners of not less than fifty percent (50%) of the 2021 Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the District of any of the terms, conditions, covenants or agreements herein or any of the documents executed in connection with the 2021 Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture, including at the request, order or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in

compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(h) Whether or not herein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(i) The Trustee shall have no responsibility or liability with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2021 Bonds.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Water System, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to this Indenture and delivered using Electronic Means (“**Electronic Means**” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“**Authorized Officers**”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee shall not be liable for

any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(n) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(o) 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.

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the 2021 Bonds appearing in the Trustee's Registration Books as the absolute owners of the 2021 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the District, and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.05. Preservation and Inspection of Documents. All documents that are received by the Trustee under the provisions of the Indenture shall be retained in its possession during the term hereof in accordance with applicable document retention policies and shall be subject at all reasonable times to the inspection of the District and any 2021 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Compensation and Indemnification. The District shall pay to the Trustee from time to time all reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The District shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence or willful misconduct on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust or any other document or transaction executed in connection herewith, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the District under this Section 8.06 shall survive removal or resignation of the Trustee hereunder or the discharge of the 2021 Bonds and the Indenture.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any 2021 Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THE INDENTURE

#### Section 9.01. Amendments Permitted.

(a) The Indenture and the rights and obligations of the District and of the Owners of the 2021 Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the District and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all 2021 Bonds then Outstanding, exclusive of 2021 Bonds disqualified as provided in Section 11.09 hereof, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the fixed maturity of any 2021 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2021 Bond so affected; or (2) reduce the aforesaid percentage of 2021 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the 2021 Bonds of the lien created by the Indenture on such Revenues and other assets except as permitted herein, without the consent of the Owners of all of the 2021 Bonds then Outstanding. It shall not be necessary for the consent of the 2021 Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the District and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of



such Supplemental Indenture, to each Rating Agency and the Owners of the 2021 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the District, the Trustee and the Owners of the 2021 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the District and the Trustee may enter into without the consent of any 2021 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding 2021 Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the District contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2021 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the District;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the District may deem necessary or desirable; and

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereunder in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2021 Bonds from federal income taxation and from state income taxation.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District, the Trustee and all Owners of 2021 Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 9.03. Endorsement of 2021 Bonds; Preparation of New 2021 Bonds. 2021 Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the

District and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2021 Bonds Outstanding at the time of such execution and presentation of his or her 2021 Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such 2021 Bonds. If the Supplemental Indenture shall so provide, new 2021 Bonds so modified as to conform, in the opinion of the District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the District and authenticated by the Trustee, and upon demand on the Owners of any 2021 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any 2021 Bond Owner, for 2021 Bonds then Outstanding, upon surrender for cancellation of such 2021 Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular 2021 Bonds. The provisions of this Article shall not prevent any 2021 Bond Owner from accepting any amendment as to the particular 2021 Bonds held by such Owner.

## ARTICLE X

### DEFEASANCE

Section 10.01. Discharge of Indenture. The 2021 Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

- (a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the 2021 Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all 2021 Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the 2021 Bonds then Outstanding.

If the District shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (as evidenced by a Certificate of the District, filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding the fact that any 2021 Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except for the District's obligations under Section 8.06. In such event, upon the Written Request of the District, the Trustee shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of 2021 Bonds not theretofore surrendered for such payment or redemption to the District.

Section 10.02. Discharge of Liability on 2021 Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding 2021 Bonds (whether upon or prior to the maturity or the Redemption Date of such 2021 Bonds), provided that, if such Outstanding 2021 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such 2021 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The District may at any time surrender to the Trustee for cancellation by it any 2021 Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2021 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2021 Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2021 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2021 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such 2021 Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or

(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Financial Consultant filed with the District and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the Redemption Date (with premium, if any), as the case may be, on the 2021 Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of 2021 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the District) to apply such money to the payment of such principal, interest and premium, if any, with respect to such 2021 Bonds; and (ii) the District shall have delivered to the Trustee an opinion of Bond Counsel addressed to the District and the Trustee to the effect that such 2021 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's or Independent Financial Consultant's opinion referred to above).

Section 10.04. Payment of 2021 Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2021 Bonds and remaining unclaimed for two (2) years after the principal of all

of the 2021 Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the 2021 Bonds became due and payable, shall be repaid to the District (without liability for interest) free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of 2021 Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee shall at the written direction of the District (at the cost of the District) first mail to the Owners of 2021 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2021 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Liability of District Limited to Revenues. Notwithstanding anything in the Indenture or the 2021 Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District shall not be required to advance any moneys derived from any source other than the Revenues, the Revenue Fund and other moneys pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the 2021 Bonds or for any other purpose of the Indenture. Nevertheless, the District may, but shall not be required to, advance for any of the purposes hereof any funds of the District which may be made available to it for such purposes.

The obligation of the District to pay interest and principal on the 2021 Bonds is a special obligation of the District payable solely from the Net Revenues, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof (other than the District) in contravention of any constitutional or statutory debt limitation or restriction.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either 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 in the Indenture contained by or on behalf of the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and 2021 Bond Owners. Nothing in the Indenture or in the 2021 Bonds expressed or implied is intended or shall be construed to give to any person other than the District, the Trustee and the Owners of the 2021 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Trustee and the Owners of the 2021 Bonds.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such

waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.05. Destruction of 2021 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the District of any 2021 Bonds, the Trustee shall destroy such 2021 Bonds as may be allowed by law, and, upon the District's request, deliver a certificate of such destruction to the District.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2021 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2021 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the District or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile, electronic mail, overnight mail or courier, or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the District at Walnut Valley Water District, 271 South Brea Canyon Road, Walnut, California 91789, Attention: General Manager (or such other address as may have been filed in writing by the District with the Trustee), or to the Trustee at its Office. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of 2021 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2021 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2021 Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2021 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the District if made in the manner provided in this Section.

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

The Ownership of 2021 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2021 Bond shall bind every future Owner of the same 2021 Bond and the Owner of every 2021 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the District in accordance therewith or reliance thereon.

Section 11.09. Disqualified 2021 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2021 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2021 Bonds which are actually known by a Responsible Officer of the Trustee to be owned or held by or for the account of the District, or by any other obligor on the 2021 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2021 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all 2021 Bonds are so owned or held, in which case such 2021 Bonds shall not be disregarded and shall be deemed to be Outstanding. 2021 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such 2021 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2021 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the District shall certify to the Trustee those 2021 Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular 2021 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2021 Bonds (or portions of 2021 Bonds in the case of registered 2021 Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the 2021 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05(a) and for the protection of the security of the 2021 Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the District shall be individually or personally liable for the payment of the principal of or premium or interest on the 2021 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

Section 11.13. Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. CUSIP Numbers. Neither the Trustee nor the District shall be liable for any defect or inaccuracy in the CUSIP number that appears on any 2021 Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2021 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2021 Bondholders and that neither the District nor the Trustee shall be liable for any inaccuracies in such numbers.

Section 11.15. Choice of Law. THE INDENTURE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.16. Paired Obligation Provider Guidelines. For purposes of Sections 6.14 and 6.21, Paired Obligations shall comply with the following conditions:

(a) A Paired Obligation Provider shall initially have a long-term rating of A- or better by S&P and A3 or better by Moody's.

(b) So long as the long-term rating of the Paired Obligation Provider is not reduced below BBB by S&P or Baa2 by Moody's, the interest rate of such Paired Obligation shall be deemed to be equal to the irrevocable fixed interest rate attributable thereto for purposes of Sections 6.14 and 6.21.

In the event that a Paired Obligation Provider does not maintain the Minimum Rating Requirement and the District does not replace such Paired Obligation Provider with another Paired Obligation Provider which maintains the Initial Rating Requirement within ten (10) Business Days of notice that the Paired Obligation Provider has not maintained the Minimum Rating Requirement, interest with respect to such Paired Obligations shall be computed for purposes of Sections 6.14 and 6.21 without regard to payments to be received from the Paired Obligation Provider. The Trustee has no obligation to monitor the ratings of any Paired Obligation Providers.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

IN WITNESS WHEREOF, the District has caused the Indenture to be signed in its name by its Authorized Officer, and the Trustee, in token of its acceptance of the duties and obligations of the Trustee created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

WALNUT VALLEY WATER DISTRICT

By: \_\_\_\_\_  
General Manager

ATTEST:

\_\_\_\_\_  
Secretary

U.S. BANK NATIONAL ASSOCIATION, as Trustee

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



**EXHIBIT A**

**FORM OF 2021 BOND**

**UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED OFFICER OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED OFFICER OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED OFFICER OF THE DEPOSITORY), 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.**

No. \_\_\_\_\_

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

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

WALNUT VALLEY WATER DISTRICT  
WATER REVENUE REFUNDING BONDS, SERIES 2021A  
(FEDERALLY TAXABLE)

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
_____ %	June 1, 20__	August __, 2021	_____

REGISTERED OWNER      CEDE & CO.

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

The WALNUT VALLEY WATER DISTRICT, a California Water District that is duly organized and existing under Division 13 of the Water Code of the State of California (the “District”), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the “Registered Owner”), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before \_\_\_\_\_ 15, 202\_\_, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable on \_\_\_\_\_ 1, 202\_\_ and each June 1 and December 1 thereafter, calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable by check of the Trustee upon presentation and surrender hereof at the Office (as defined in the hereinafter described Indenture) of U.S. Bank

National Association, as trustee (the “Trustee”). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner’s address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a Registered Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Registered Owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Registered Owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This Bond is not a debt of the State of California, or any of its political subdivisions (other than the District), and neither the State, nor any of its political subdivisions (other than the District), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the District other than the Net Revenues (as such term is defined in the Indenture of Trust, dated as of August 1, 2021 (the “Indenture”), by and between the District and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the District to make payments in accordance with the Indenture is a limited obligation of the District as set forth in the Indenture and the District shall have no liability or obligation in connection herewith except with respect to such payments to be made pursuant to the Indenture. This Bond does not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the District designated as the “Walnut Valley Water District Water Revenue Refunding Bonds, Series 2021A (Federally Taxable)” (the “2021 Bonds”), of an aggregate principal amount of \_\_\_ Million \_\_\_ Hundred \_\_\_ Thousand Dollars (\$\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers or interest rates) and all issued pursuant to the provisions of Articles 9 through 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and pursuant to the Indenture and the resolution authorizing the issuance of the 2021 Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the District) and all supplements thereto for a description of the terms on which the 2021 Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues, and the rights thereunder of the Owners of the 2021 Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the District hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The 2021 Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The 2021 Bonds have been issued by the District for the purpose of refinancing certain capital improvements of the Water System of the District.

This Bond and the interest, premium, if any, hereon and all other 2021 Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the District, secured by a pledge and lien on the Revenues and any other amounts on deposit in certain funds and accounts created under the Indenture, and payable from the Net Revenues. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on this Bond.

The Indenture and the rights and obligations of the District and the Owners of the 2021 Bonds and the Trustee may be modified or amended from time to time and at any time with the

written consent of the Owners of a majority in aggregate principal amount of all 2021 Bonds then Outstanding, exclusive of Bonds disqualified as set forth in the Indenture, in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall: (i) extend the fixed maturity of any 2021 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each 2021 Bond so affected; or (ii) reduce the aforesaid percentage of 2021 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the 2021 Bonds of the lien created by the Indenture on such Revenues and other assets, except as expressly provided in the Indenture, without the consent of the Owners of all of the 2021 Bonds then Outstanding.

The Indenture and the rights and obligations of the District, of the Trustee and the Owners of the 2021 Bonds may also be modified or amended for certain purposes described more fully in the Indenture at any time in the manner, to the extent and upon the terms provided in the Indenture by a supplemental indenture, which the District and the Trustee may enter into without the consent of any 2021 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture will not materially adversely affect the interests of the Owners of the Outstanding 2021 Bonds.

The 2021 Bonds with stated maturities on or after June 1, 20\_\_, are subject to redemption prior to their respective stated maturities, as a whole or in part on \_\_\_\_ 1, 20\_\_, or any date thereafter, as directed by the District in a Written Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

The 2021 Bonds with a stated maturity on June 1, 20\_\_ are subject to mandatory sinking fund redemption prior to maturity, in part (by lot), on June 1, 20\_\_ and each June 1 thereafter to maturity, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the Redemption Date, without premium, in accordance with the following schedule:

<i>Redemption Date</i> <i>(June 1)</i>	<i>Principal Amount</i>
	\$

\*

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\* Final Maturity.

In the event of an optional redemption of the Bonds maturing on June 1, 20\_\_, the District will provide the Trustee with a revised sinking fund schedule giving effect to such optional redemption.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail at least 20 days but not more than 60 days prior to the date fixed for redemption to the

respective Owners of any 2021 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the redemption.

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

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the 2021 Bonds and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at the office of the Trustee but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new 2021 Bond or 2021 Bonds, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

This Bond may be exchanged at said office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer or exchange of this Bond during the period in which the Trustee is selecting 2021 Bonds for redemption or if this Bond has been selected for redemption.

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

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Indenture and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of 2021 Bonds permitted to be issued under the Indenture.

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

IN WITNESS WHEREOF, the District has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its General Manager as of this \_\_th day of August, 2021.

WALNUT VALLEY WATER DISTRICT

By: \_\_\_\_\_  
General Manager

ATTEST:

\_\_\_\_\_  
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION  
TO APPEAR ON BONDS]

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

Dated: August \_\_, 2021

U.S. BANK NATIONAL ASSOCIATION, as Trustee

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

[FORM OF ASSIGNMENT]

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

\_\_\_\_\_  
\_\_\_\_\_

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

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

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

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

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature guarantee shall be made by a  
guarantor institution participating in  
the Securities Transfer Agents  
Medallion Program or in such other  
guarantee program acceptable to the  
Trustee.

**EXHIBIT B**

**DESCRIPTION OF 2013 PROJECT**

<i>Component</i>	<i>Cost</i>
<b>WSRP Projects</b>	
<b>La Habra Heights County Water District Project (Phase 1A)</b>	
Pipeline, Metering and Treatment Facilities	\$ 350,566
Purchase of Water Rights	3,630,908
<b>Cal Domestic Supply Project (Phase 1B)</b>	
2 Pump Stations, Transmission Pipeline, Treatment Facilities	4,090,549
<b>Six Basins Supply Project (Phase 1C)</b>	
Well Rehabilitation, Well Development, Pipelines, Valves, Metering	2,052,009
<b>District Headquarters Project</b>	
Purchase of Two Buildings, Site Design, Interior Design and Remodel	9,256,585
<b>Other Projects</b>	
Ace Nogales Grade Separation, Ridgeline Pump Station, Emergency Generator	967,232
<b>TOTAL</b>	<b>\$20,347,849</b>

**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST \_\_, 2021**

**NEW ISSUE – BOOK-ENTRY ONLY**

**RATING: See the caption “RATING”**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2021 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the 2021 Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS.”*

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

**WALNUT VALLEY WATER DISTRICT  
WATER REVENUE REFUNDING BONDS, SERIES 2021A  
(FEDERALLY TAXABLE)**

**Dated: Date of Issuance**

**Due: June 1, as set forth on the inside front cover page**

The 2021 Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2021 Bonds will not receive securities representing their beneficial ownership in the 2021 Bonds purchased. Interest on the 2021 Bonds is payable on \_\_\_\_ 1, 202\_\_ and each \_\_\_\_ 1 and \_\_\_\_ 1 thereafter, until their maturity or earlier redemption. The principal of and interest on the 2021 Bonds are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the Beneficial Owners of the 2021 Bonds through their nominees.

**The 2021 Bonds are subject to optional and mandatory sinking fund redemption as more fully described in this Official Statement. See the caption “THE 2021 BONDS—Redemption of the 2021 Bonds.”**

The 2021 Bonds are being issued to provide moneys: (i) to refund all of the outstanding Puente Basin Water Agency Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project); and (ii) to pay costs of issuance of the 2021 Bonds, all as more fully described in this Official Statement.

The 2021 Bonds are being issued pursuant to the Indenture of Trust, dated as of August 1, 2021, by and between the District and U.S. Bank National Association, as trustee. The 2021 Bonds are limited obligations of the District payable solely from Net Revenues, which consist of Revenues of the District’s Water System remaining after the payment of Operation and Maintenance Costs, and from amounts on deposit in certain funds and accounts created under the Indenture.

The District may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2021 Bonds in the future, subject to the terms and conditions of the Indenture, as more fully described in this Official Statement.

THE OBLIGATION OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2021 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE GENERAL CREDIT OR TAXING POWER OF THE DISTRICT IS PLEDGED. THE OBLIGATION OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2021 BONDS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE 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 LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

\_\_\_\_\_  
MATURITY SCHEDULE – See Inside Front Cover Page  
\_\_\_\_\_

*The 2021 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2021 Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by the District’s General Counsel, Lagerlof LLP, for the Underwriter by its counsel, Kutak Rock LLP, and for the Trustee by its counsel. It is anticipated that the 2021 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about August \_\_, 2021.*

**Wells Fargo Securities**

Dated: August \_\_, 2021

\* 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 them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.



\$ \_\_\_\_\_<sup>\*</sup>  
**WALNUT VALLEY WATER DISTRICT  
WATER REVENUE REFUNDING BONDS, SERIES 2021A  
(FEDERALLY TAXABLE)**

**MATURITY SCHEDULE**

**BASE CUSIP<sup>®†</sup> \_\_\_\_\_**

<i><b>Maturity Date (June 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP<sup>®†</sup> Suffix</b></i>
20__	\$	%	%		

\$ \_\_\_\_\_ % Term 2021 Bonds due June 1, 20 \_\_, Yield: \_\_\_\_\_ %, Price: \_\_\_\_\_, CUSIP<sup>®†</sup> Suffix \_\_\_\_\_

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<sup>\*</sup> Preliminary, subject to change.

<sup>†</sup> CUSIP<sup>®</sup> is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© CUSIP Global Services. All rights reserved. CUSIP<sup>®</sup> data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP<sup>®</sup> numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

**WALNUT VALLEY WATER DISTRICT  
COUNTY OF LOS ANGELES  
STATE OF CALIFORNIA**

**BOARD OF DIRECTORS**

Scarlett P. Kwong, President, Division V  
Jerry Tang, First Vice President, Division I  
Edwin M. Hilden, Second Vice President, Division II  
Theresa Lee, Director, Division III  
Kevin T. Hayakawa, Director, Division IV

**STAFF**

Erik Hitchman, General Manager  
Brian Teuber, Assistant General Manager  
Joshua Byerrum, Director of Finance

**SPECIAL SERVICES**

**General Counsel**

Lagerlof LLP  
Pasadena, California

**Bond Counsel and Disclosure Counsel**

Stradling Yocca Carlson & Rauth, a Professional Corporation  
Newport Beach, California

**Municipal Advisor**

Urban Futures, Inc.  
Tustin, California

**Trustee/Escrow Agent**

U.S. Bank National Association  
Los Angeles, California

**Verification Agent**

Causey Demgen & Moore P.C.  
Denver, Colorado

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2021 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2021 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

The information set forth herein has been obtained from official sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2021 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2021 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE 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. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

*The 2021 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The 2021 Bonds have not been registered or qualified under the securities laws of any state. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act.*

The District maintains a website. However, the information presented there is for informational purposes only, is not part of this Official Statement and must not be relied upon in making an investment decision with respect to the 2021 Bonds.

**TABLE OF CONTENTS**

*Page*

<p>SUMMARY STATEMENT .....i</p> <p>INTRODUCTION .....1</p> <p>PLAN OF FINANCE.....2</p> <p style="padding-left: 20px;">The Refunding Plan.....2</p> <p style="padding-left: 20px;">Estimated Sources And Uses Of Funds .....3</p> <p>THE 2021 BONDS .....3</p> <p style="padding-left: 20px;">General Provisions .....3</p> <p style="padding-left: 20px;">Transfers and Exchanges Upon Termination of Book-Entry Only System.....4</p> <p style="padding-left: 20px;">Redemption of the 2021 Bonds .....5</p> <p style="padding-left: 20px;">Notice of Redemption .....5</p> <p style="padding-left: 20px;">Book-Entry Only System .....6</p> <p>DEBT SERVICE PAYMENT SCHEDULE .....6</p> <p>SECURITY FOR THE 2021 BONDS.....6</p> <p style="padding-left: 20px;">Limited Obligations Payable From Net Revenues .....6</p> <p style="padding-left: 20px;">Rate Stabilization Reserve.....9</p> <p style="padding-left: 20px;">Rate Covenant .....9</p> <p style="padding-left: 20px;">Additional Indebtedness .....10</p> <p style="padding-left: 20px;">No Reserve Fund .....10</p> <p>THE DISTRICT.....10</p> <p style="padding-left: 20px;">General .....10</p> <p style="padding-left: 20px;">Land and Land Use.....11</p> <p style="padding-left: 20px;">Governance and Management .....11</p> <p style="padding-left: 20px;">Employee Relations.....12</p> <p style="padding-left: 20px;">Budget Process .....19</p> <p style="padding-left: 20px;">District Insurance .....19</p> <p style="padding-left: 20px;">No Outstanding Parity or Senior Obligations...20</p> <p style="padding-left: 20px;">1% <i>Ad Valorem</i> Property Tax Revenues .....20</p> <p style="padding-left: 20px;">Standby Charges.....23</p> <p style="padding-left: 20px;">Other Land-Based Charges.....24</p> <p style="padding-left: 20px;">Cybersecurity.....24</p> <p style="padding-left: 20px;">COVID-19 Outbreak .....24</p> <p>THE WATER SYSTEM.....27</p> <p style="padding-left: 20px;">General .....27</p> <p style="padding-left: 20px;">Water Supply .....27</p> <p style="padding-left: 20px;">Wholesale Deliveries.....36</p> <p style="padding-left: 20px;">Water Quality .....36</p> <p style="padding-left: 20px;">Historical Water Supply .....37</p> <p style="padding-left: 20px;">Historical Water System Service Connections.....38</p> <p style="padding-left: 20px;">Historical Water System Deliveries .....39</p> <p style="padding-left: 20px;">Historical Water System Sales Revenues.....39</p> <p style="padding-left: 20px;">Largest Water System Customers .....40</p> <p style="padding-left: 20px;">Water System Rates and Charges.....40</p> <p style="padding-left: 20px;">Collection Procedures.....43</p> <p style="padding-left: 20px;">Future Water System Improvements .....44</p> <p style="padding-left: 20px;">Projected Water Supply .....44</p>	<p style="padding-left: 20px;">Projected Water System Service Connections ..... 44</p> <p style="padding-left: 20px;">Projected Water System Deliveries..... 45</p> <p style="padding-left: 20px;">Projected Water System Sales Revenues ..... 45</p> <p>WATER SYSTEM FINANCIAL INFORMATION ..... 46</p> <p style="padding-left: 20px;">Financial Statements ..... 46</p> <p style="padding-left: 20px;">Investment of District Funds..... 47</p> <p style="padding-left: 20px;">District Reserves ..... 48</p> <p style="padding-left: 20px;">Historical Water System Operating Results and Debt Service Coverage ..... 50</p> <p style="padding-left: 20px;">Projected Water System Operating Results and Debt Service Coverage ..... 51</p> <p>CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES ..... 53</p> <p style="padding-left: 20px;">Article XIII A..... 53</p> <p style="padding-left: 20px;">Article XIII B..... 53</p> <p style="padding-left: 20px;">Proposition 218 ..... 54</p> <p style="padding-left: 20px;">Proposition 26 ..... 55</p> <p style="padding-left: 20px;">Future Initiatives ..... 56</p> <p>CERTAIN RISKS TO BONDHOLDERS ..... 56</p> <p style="padding-left: 20px;">Limited Obligations ..... 56</p> <p style="padding-left: 20px;">Accuracy of Assumptions ..... 56</p> <p style="padding-left: 20px;">System Demand ..... 57</p> <p style="padding-left: 20px;">System Expenses..... 57</p> <p style="padding-left: 20px;">Limited Recourse on Default ..... 57</p> <p style="padding-left: 20px;">Rate-Setting Process under Proposition 218 .... 57</p> <p style="padding-left: 20px;">Statutory and Regulatory Compliance ..... 57</p> <p style="padding-left: 20px;">Natural Disasters ..... 58</p> <p style="padding-left: 20px;">Limitations on Remedies ..... 58</p> <p style="padding-left: 20px;">Secondary Market ..... 59</p> <p style="padding-left: 20px;">Parity Obligations ..... 59</p> <p style="padding-left: 20px;">Climate Change..... 59</p> <p style="padding-left: 20px;">Rate Covenant Not a Guarantee ..... 59</p> <p>APPROVAL OF LEGAL PROCEEDINGS ..... 59</p> <p>LITIGATION ..... 60</p> <p style="padding-left: 20px;">General..... 60</p> <p style="padding-left: 20px;">Water Rate Litigation..... 60</p> <p>TAX MATTERS ..... 61</p> <p>RATING..... 62</p> <p>MUNICIPAL ADVISOR..... 62</p> <p>UNDERWRITING ..... 62</p> <p>CONTINUING DISCLOSURE ..... 63</p> <p>FINANCIAL INTERESTS ..... 63</p> <p>MISCELLANEOUS..... 63</p> <p>APPENDIX A - FINANCIAL STATEMENTS A-1</p>
--	--

**TABLE OF CONTENTS**  
**(continued)**

**Page**

APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE .....	B-1
APPENDIX C - FORM OF OPINION OF BOND COUNSEL.....	C-1
APPENDIX D - INFORMATION CONCERNING DTC .....	D-1
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE .....	E-1

## SUMMARY STATEMENT

*This Summary Statement is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2021 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms that are used and not otherwise defined in this Summary Statement have the meanings that are ascribed to them in this Official Statement.*

**Purpose.** The 2021 Bonds are being issued to provide moneys: (i) to refund all of the outstanding to refund all of the outstanding Puente Basin Water Agency Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project); and (ii) to pay costs of issuance of the 2021 Bonds, all as more fully described herein. See the caption “PLAN OF FINANCE.”

**Security for the 2021 Bonds.** The 2021 Bonds are limited obligations of the District payable solely from Net Revenues, which consist of Revenues of the District’s Water System remaining after the payment of Operation and Maintenance Costs, and from amounts on deposit in certain funds and accounts created under the Indenture.

THE OBLIGATION OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2021 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE GENERAL CREDIT OR TAXING POWER OF THE DISTRICT IS PLEDGED. THE OBLIGATION OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2021 BONDS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

See the caption “SECURITY FOR THE 2021 BONDS.”

**Rate Stabilization Reserve.** Upon the issuance of the 2021 Bonds, a special fund designated as the “Rate Stabilization Reserve,” which is held by the District in trust under the Indenture, will be established, which fund the District has agreed and covenanted to maintain and to hold separate and apart from other funds so long as the 2021 Bonds remain outstanding. Money transferred by the District from the Revenue Fund to the Rate Stabilization Reserve in accordance with the Indenture will be held in the Rate Stabilization Reserve and applied in accordance therewith.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Reserve and transfer such amounts to the Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2021 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance therewith.

**Rate Covenant.** To the fullest extent permitted by law, the District will fix and prescribe, at the beginning of each Fiscal Year, rates, fees and charges for the Water Service which are reasonably expected, at the beginning of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 125% of the Debt Service for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but may not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements.

**Additional Contracts and Bonds.** The Indenture permits the District to execute additional Contracts or to issue additional Bonds on a parity with the obligation to pay principal of and interest on the 2021 Bonds, provided that certain conditions are satisfied as described herein. See the caption “SECURITY FOR THE

2021 BONDS—Additional Indebtedness.” The Indenture also permits the District to execute or issue obligations payable on a subordinate basis to the 2021 Bonds.

**No Reserve Fund.** No debt service reserve fund has been established in connection with the 2021 Bonds.

**Redemption.** The 2021 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See the caption “THE 2021 BONDS—Redemption of the 2021 Bonds.”

**The District and the Water System.** The District currently provides potable and recycled water service to an area encompassing approximately 17,966 acres (29 square miles) in the southeastern portion of Los Angeles County approximately 20 miles east of downtown Los Angeles. The District serves customers in the City of Diamond Bar, portions of the Cities of Walnut, Pomona, West Covina and Industry and the unincorporated community of Rowland Heights. The population within the District’s service area is approximately 99,996 and the District had 27,086 potable water connections and 330 recycled water connections as of March 31, 2021.

The District has four sources of potable water: (i) imported water that the District purchases from The Metropolitan Water District of Southern California through Three Valleys Municipal Water District; (ii) water purchased from the La Habra Heights County Water District and the Orchard Dale Water District through a joint arrangement with Rowland Water District; (iii) water purchased from California Domestic Water Company through a joint arrangement with Rowland Water District; and (iv) water pumped from wells in the Six Basins Watershed through a joint arrangement with Rowland Water District. See the caption “THE WATER SYSTEM—Water Supply—Potable Water.”

The District has two sources of recycled water: (i) treated wastewater that is produced at the County Sanitation Districts of Los Angeles County’s Pomona Water Reclamation Plant; and (ii) local groundwater that is pumped from five wells that the District owns and operates within the Puente Groundwater Basin and the Spadra Groundwater Basin. See the caption “THE WATER SYSTEM—Water Supply—Recycled Water.”

§ \_\_\_\_\_\*

**WALNUT VALLEY WATER DISTRICT  
WATER REVENUE REFUNDING BONDS, SERIES 2021A  
(FEDERALLY TAXABLE)**

**INTRODUCTION**

This Official Statement, including the front cover page, the inside front cover page and all appendices, provides certain information concerning the sale and delivery of the Walnut Valley Water District Water Revenue Refunding Bonds, Series 2021A (Federally Taxable) (the “**2021 Bonds**”). The 2021 Bonds are being issued by Walnut Valley Water District (the “**District**”), pursuant to Articles 9 through 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and an Indenture of Trust, dated as of August 1, 2021 (the “**Indenture**”), by and between the District and U.S. Bank National Association, Los Angeles, California, as trustee (the “**Trustee**”).

The 2021 Bonds are being issued to provide moneys: (i) to refund all of the outstanding to refund all of the outstanding Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project) (the “**2013 Bonds**”) issued by the Puente Basin Water Agency (the “**Agency**”); and (ii) to pay costs of issuance of the 2021 Bonds. See the caption “PLAN OF FINANCE.”

The 2021 Bonds are limited obligations of the District payable solely from Net Revenues, which consist of Revenues of the District’s municipal water system (the “**Water System**”) remaining after the payment of Operation and Maintenance Costs of the Water System, as such terms are defined in Appendix B, and from amounts on deposit in certain funds and accounts created under the Indenture.

The District may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2021 Bonds in the future as described under the caption “SECURITY FOR THE 2021 BONDS—Additional Indebtedness.”

The 2021 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See the caption “THE 2021 BONDS—Redemption of the 2021 Bonds.”

The summaries and references to the Indenture and all documents, statutes, reports and other instruments that are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Indenture or the respective document, statute, report or instrument, copies of which are available for inspection at the offices of the District in Walnut, California or from the Trustee upon request and payment of duplication cost. The capitalization of any word that is not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning that is given to it in the Indenture. See Appendix B for a summary of the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

The District regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2021 Bonds may obtain a copy of such reports, as available, from the Trustee or the District. Additional information may be obtained by contacting the Trustee or the Walnut Valley Water District, 271 South Brea Canyon Road, Walnut, California 91789, Attention: Assistant General Manager/Director of Finance.

The District has also undertaken to provide annual reports and notice of certain enumerated events to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“**EMMA**”)

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\* Preliminary, subject to change.



pursuant to a continuing disclosure certificate. See the caption “CONTINUING DISCLOSURE” and Appendix E.

## PLAN OF FINANCE

### The Refunding Plan

The 2013 Bonds, which are currently outstanding in the aggregate principal amount of \$13,890,000, were issued pursuant to an Indenture of Trust, dated as of March 1, 2013 (the “**2013 Indenture**”), by and between the Agency and U.S. Bank National Association, as successor trustee (the “**2013 Trustee**”). The 2013 Bonds are payable from installment payments payable by the District to the Agency under an Installment Purchase Contract, dated as of March 1, 2013, by and between the District and the Agency. The District plans to apply a portion of the proceeds of the 2021 Bonds to defease the outstanding 2013 Bonds, which are described in the below table.

<i>Principal Payment Date (June 1)</i>	<i>CUSIP®<sup>†</sup> (745056)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
2022	BJ9	\$ 535,000	5.00%
2023	BK6	565,000	5.00
2024	BL4	595,000	5.00
2025	BM2	620,000	5.00
2026	BN0	655,000	5.00
2027	BP5	685,000	5.00
2028	BQ3	720,000	5.00
2029	BR1	755,000	5.00
2030	BU4	795,000	5.00
2031	BV2	835,000	5.00
2032	BW0	875,000	5.00
2033	BS9	920,000	5.00
2038	BT7	<u>5,335,000</u>	5.00
TOTAL		<u>\$13,890,000</u>	

Under an Escrow Agreement (2013 Bonds), dated as of August 1, 2021 (the “**2013 Escrow Agreement**”), by and among the District, the Agency and the 2013 Trustee, the District will deliver a portion of the proceeds of the 2021 Bonds to the 2013 Trustee for deposit in the escrow fund established under the 2013 Escrow Agreement (the “**2013 Escrow Fund**”). The 2013 Trustee will invest a portion of the amounts so deposited in the 2013 Escrow Fund in Federal Securities (as described in the 2013 Escrow Agreement). From the maturing principal of the Federal Securities and related investment income and any uninvested moneys on deposit in the 2013 Escrow Fund, together with amounts held by the 2013 Trustee in the funds and accounts that were established in connection with the 2013 Bonds, the 2013 Trustee will: (i) make the regularly scheduled payments of principal of and interest on the 2013 Bonds through and including June 1, 2023 (the “**2013 Bonds Redemption Date**”); and (ii) on the 2013 Bonds Redemption Date, pay the principal of the 2013 Bonds maturing after the 2013 Bonds Redemption Date, plus interest thereon accrued through the 2013 Bonds Redemption Date, without premium (the “**2013 Bonds Redemption Price**”).

Sufficiency of the deposits in the 2013 Escrow Fund for such purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the “**Verification Agent**”). Assuming the accuracy of such

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computations, as a result of the deposit and application of funds as provided in the 2013 Escrow Agreement, the 2013 Bonds will be defeased pursuant to the provisions of the 2013 Indenture as of the date of issuance of the 2021 Bonds.

The amounts held by the 2013 Trustee in the 2013 Escrow Fund are pledged solely to the payment of the 2013 Bonds and will not be available for the payments on the 2021 Bonds.

Upon the issuance of the 2021 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the moneys deposited in the 2013 Escrow Fund to pay the 2013 Bonds Redemption Price.

### Estimated Sources And Uses Of Funds

The following table sets forth the estimated sources and uses of funds relating to the 2021 Bonds:

**Sources<sup>(1)</sup>:**

Principal Amount	\$
Additional Moneys <sup>(2)</sup>	\$ _____
Total Sources	\$ _____

**Uses<sup>(1)</sup>:**

Transfer to 2013 Trustee for Deposit in 2013 Escrow Fund	\$
Costs of Issuance <sup>(3)</sup>	_____
Total Uses	\$ _____

(1) All amounts rounded to the nearest dollar. Totals may not add due to rounding.

(2) Reflects moneys held in funds and accounts established in connection with the 2013 Bonds.

(3) Includes Underwriter’s discount and certain legal, municipal advisory, rating agency, printing, and other financing-related costs.

## THE 2021 BONDS

### General Provisions

The 2021 Bonds will be issued in the aggregate principal amount of \$ \_\_\_\_\_.\* The 2021 Bonds will be dated as of their date of initial issuance, will bear interest from such date at the rates per annum set forth on the inside front cover page hereof, payable on \_\_\_\_\_ 1, 202\_\_ and each \_\_\_\_ 1 and \_\_\_\_ 1 thereafter (each, an “**Interest Payment Date**”), and will mature on the dates set forth on the inside front cover page hereof. Interest on the 2021 Bonds will be computed on the basis of a 360 day year composed of twelve 30 day months.

The 2021 Bonds will be issued only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the 2021 Bonds. Ownership interests in the 2021 Bonds may be purchased in book-entry form, in any integral multiple of \$5,000. See the caption “—Book-Entry Only System” below and Appendix D.

In the event that the book-entry only system that is described below is discontinued, the principal of and redemption premium (if any) on the 2021 Bonds are payable by check of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in Los Angeles,

\* Preliminary, subject to change.

California (the “**Office of the Trustee**”). Interest on the 2021 Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the “**Registration Books**”) as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the “**Record Date**”), such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at such Owner’s address as it appears on the Registration Books. An Owner of \$1,000,000 or more in principal amount of 2021 Bonds may, at such Owner’s option, be paid by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the applicable Record Date. The principal of and interest and premium, if any, on the 2021 Bonds will be payable in lawful money of the United States.

Each 2021 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before \_\_\_\_ 15, 202 \_\_, in which event it will bear interest from its date of issuance; provided, however, that if, as of the date of authentication of any 2021 Bond, interest thereon is in default, such 2021 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

### **Transfers and Exchanges Upon Termination of Book-Entry Only System**

In the event that the book-entry system that is described herein is discontinued, the 2021 Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2021 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2021 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee is not required to register the transfer of any 2021 Bond during the period in which the Trustee is selecting 2021 Bonds for redemption and any 2021 Bond that has been selected for redemption.

Whenever any 2021 Bond or 2021 Bonds are surrendered for transfer, the District will execute and the Trustee will authenticate and deliver a new 2021 Bond or 2021 Bonds of authorized denomination or denominations for a like aggregate principal amount of the same maturity. The Trustee will require the 2021 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2021 Bonds, the Trustee will cancel and destroy the 2021 Bonds that it has received.

The 2021 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same maturity. The Trustee is not required to exchange any 2021 Bond during the period in which the Trustee is selecting 2021 Bonds for redemption and any 2021 Bond that has been selected for redemption. The Trustee will require the 2021 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2021 Bonds, the Trustee will cancel and destroy the 2021 Bonds that it has received.

Prior to any transfer of the 2021 Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee will conclusively rely on the information provided to it and has no responsibility to verify or ensure the accuracy of such information.

## Redemption of the 2021 Bonds

**Optional Redemption.** The 2021 Bonds with stated maturities on or after June 1, 20\_\_, are subject to redemption prior to their respective stated maturities, as a whole or in part on \_\_\_\_ 1, 20\_\_, or any date thereafter, as directed by the District in a Written Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

**Mandatory Sinking Fund Redemption.** The 2021 Bonds with a stated maturity on June 1, 20\_\_ are subject to mandatory sinking fund redemption prior to maturity, in part (by lot), on June 1, 20\_\_ and each June 1 thereafter to maturity, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the Redemption Date, without premium, in accordance with the following schedule:

<i>Redemption Date (June 1)</i>	<i>Principal Amount</i>
	\$

\*

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\* Final Maturity.

In the event of an optional redemption of the Bonds maturing on June 1, 20\_\_, the District will provide the Trustee with a revised sinking fund schedule giving effect to such optional redemption.

### Notice of Redemption

Notice of redemption will be sent electronically or mailed by first class mail at least 20 days but not more than 60 days before any Redemption Date, to the respective Owners of any 2021 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption will state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, in the case of 2021 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the Redemption Date there will become due and payable on each of said 2021 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2021 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon will cease to accrue, and will require that such 2021 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2021 Bond. Notice of redemption of 2021 Bonds will be given by the Trustee, at the expense of the District, for and on behalf of the District.

With respect to any notice of optional redemption of 2021 Bonds, such notice may state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2021 Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2021 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

**Book-Entry Only System**

One fully-registered 2021 Bond of each maturity will be issued in the principal amount of the 2021 Bonds of such maturity. Such 2021 Bond will be registered in the name of Cede & Co. and will be deposited with DTC. As long as the ownership of the 2021 Bonds is registered in the name of Cede & Co., the term “**Owner**” as used in this Official Statement will refer to Cede & Co. and not to the actual purchasers of the 2021 Bonds (the “**Beneficial Owners**”).

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2021 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer. See the caption “—Transfers and Exchanges Upon Termination of Book-Entry Only System.”

The District cannot and does not give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 2021 Bonds received by DTC or its Nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners (as such term is defined in Appendix D), or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D for additional information concerning DTC.

**DEBT SERVICE PAYMENT SCHEDULE**

Set forth below is an annualized schedule of principal of and interest on the 2021 Bonds for the period ending June 30 in each of the years indicated, assuming no optional redemptions of the 2021 Bonds.

<i>Period Ending June 30</i>	<i>2021 Bonds Principal</i>	<i>2021 Bonds Interest</i>	<i>2021 Bonds Debt Service</i>
2022	\$	\$	\$
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
<b>TOTAL</b>	\$	\$	\$

Source: Underwriter.

**SECURITY FOR THE 2021 BONDS**

**Limited Obligations Payable From Net Revenues**

**General.** The District is obligated to make payments of principal of and interest on the 2021 Bonds solely from Net Revenues. The term “**Net Revenues**” means, for any period, the Revenues of the Water System for such period less the Operation and Maintenance Costs of the Water System for such period. See

Appendix B for detailed definitions of “Revenues” and “Operation and Maintenance Costs.” When held by the Trustee in any funds or accounts established under the Indenture, Net Revenues will include all interest or realized gain derived from the investment of amounts in any of such funds or accounts.

THE OBLIGATION OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2021 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE GENERAL CREDIT OR TAXING POWER OF THE DISTRICT IS PLEDGED. THE OBLIGATION OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2021 BONDS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE 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 LIMITATION OR RESTRICTION.

***Pledge and Assignment; Revenue Fund.*** All of the Revenues, all amounts held in the Revenue Fund and any other amounts (including proceeds of the sale of the 2021 Bonds) held in any fund or account established pursuant to the Indenture (but excluding amounts held in the Rate Stabilization Reserve) have been irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2021 Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues may not be used for any other purpose while the 2021 Bonds remain Outstanding; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Indenture. Said pledge, together with the pledge created by all other parity Contracts and Bonds (as such terms are defined in Appendix B), constitutes a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created under the Indenture for the payment of the principal of and interest, and the premium, if any, on the 2021 Bonds and all Contracts and Debt Service on Bonds in accordance with the terms of the Indenture, and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the District, irrespective of whether such parties have notice of the Indenture.

In order to carry out and effectuate the pledge and lien contained in the Indenture, the District has agreed and covenanted that all Revenues will be received by the District in trust under the Indenture and will be deposited when and as received in the Revenue Fund, which fund the District has agreed and covenanted to maintain and to hold separate and apart from other funds so long as the 2021 Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund will be used and applied by the District as provided in the Indenture. All moneys in the Revenue Fund will be held in trust and will be applied, used and withdrawn for the purposes set forth below.

The District will, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund will be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority:

(i) Interest and Principal Payments. Not later than the Business Day prior to each Interest Payment Date, the District will, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Payment Fund or the Redemption Fund the payments of interest and principal or mandatory sinking fund payments, as applicable, on the 2021 Bonds due and payable on such Interest Payment Date. The District will also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. After making the payments, allocations or transfers provided for in clause (i) above, the District will, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement applicable to such Bonds or Contracts, as applicable.

(iii) Subordinate Obligations. After making the payments, allocations or transfers provided for in clauses (i) and (ii) above, the District will, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any debt service on obligations which are payable from Net Revenues on a subordinate basis to Bonds and Contracts.

(iv) Surplus. Moneys on deposit in the Revenue Fund on any date when the District reasonably expects such moneys will not be needed for the payment of Operation and Maintenance Costs or any of the purposes described in clauses (i), (ii) or (iii) above may be deposited in the Rate Stabilization Reserve or expended by the District at any time for any purpose permitted by law. See the caption “—Rate Stabilization Reserve.”

(v) Investments. All moneys held by the District in the Revenue Fund will be invested in Permitted Investments and the investment earnings thereon will remain on deposit in such fund, except as otherwise provided herein.

***Allocation of Revenues.*** There has been established with the Trustee the Payment Fund, which the Trustee has covenanted to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2021 Bonds remain unpaid. Except as directed in the Indenture, all payments of interest and principal on the 2021 Bonds received by the Trustee as described above under the subcaption “—Pledge and Assignment; Revenue Fund” will be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required under the Indenture to be deposited in the Redemption Fund will be promptly deposited therein. All payments of interest and principal on the 2021 Bonds deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee will also establish and hold an Interest Account and a Principal Account within the Payment Fund.

The Trustee will transfer from the Payment Fund and deposit into the following respective accounts, the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee will deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2021 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there is in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2021 Bonds then Outstanding.

All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2021 Bonds as it becomes due and payable (including accrued interest on any 2021 Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

(b) Not later than the Business Day preceding each date on which the principal of the 2021 Bonds becomes due and payable under the Indenture, the Trustee will deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2021 Bonds coming due and payable on such date. No deposit need be made into the Principal Account so long as there is in in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2021 Bonds then Outstanding.

All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the 2021 Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2021 Bonds, upon written direction of the District, the Trustee will apply such amounts to the purchase of 2021 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2021 Bonds.

### **Rate Stabilization Reserve**

The special fund designated as the “Rate Stabilization Reserve,” which is held by the District in trust, has been continued under the Indenture. The District has agreed and covenanted to maintain the Rate Stabilization Reserve and to hold it separate and apart from other funds so long as the 2021 Bonds remain outstanding. Money transferred by the District from the Revenue Fund to the Rate Stabilization Reserve in accordance with the Indenture will be held in the Rate Stabilization Reserve and applied in accordance therewith.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Reserve and transfer such amounts to the Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2021 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance therewith.

The District retains the right to deposit and withdraw moneys from the Rate Stabilization Reserve from time to time and to apply such moneys in accordance with the Indenture. No assurance can be made that moneys will be on deposit in the Rate Stabilization Reserve to pay debt service on the 2021 Bonds in the event that Net Revenues are insufficient for such purpose.

See the caption “WATER SYSTEM FINANCIAL INFORMATION—District Reserves—Unrestricted Reserves—Rate Stabilization Reserve” for information with respect to the funding level of the Rate Stabilization Reserve.

### **Rate Covenant**

To the fullest extent permitted by law, the District will fix and prescribe, at the beginning of each Fiscal Year, rates, fees and charges for the Water Service which are reasonably expected, at the beginning of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 125% of the Debt Service for such Fiscal Year.

The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but may not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements.



## **Additional Indebtedness**

Pursuant to the Indenture, the District may at any time execute any Contracts or issue any Bonds payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2021 Bonds, provided that the following conditions are satisfied:

(a) The Net Revenues for the most recent audited Fiscal Year or any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the District, produce a sum equal to at least 125% of the Debt Service for such Fiscal Year or twelve month period, as applicable; and

(b) The Net Revenues for the most recent audited Fiscal Year or any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year or twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the District, produce a sum equal to at least 125% of: (i) the Debt Service for such Fiscal Year or twelve month period, as applicable; plus (ii) the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or twelve month period; plus (iii) the Debt Service which would have accrued had such proposed additional Contract been executed or such proposed additional Bonds been issued at the beginning of such Fiscal Year or twelve month period.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if aggregate Debt Service after the issuance of such Bonds or execution of such Contracts is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Furthermore, notwithstanding the foregoing, the District may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Revenues or money in the Revenue Fund as may from time to time be deposited therein subordinate to the 2021 Bonds.

## **No Reserve Fund**

No reserve fund has been established in connection with the issuance of the 2021 Bonds.

## **THE DISTRICT**

### **General**

The District was organized on July 10, 1952 under the provisions of the California Water District Law (Division 13 of the State Water Code) (the “**California Water District Law**”) following an election within boundaries that were established by the Board of Supervisors of the County of Los Angeles (the “**County**”). The District is an independent public enterprise that is organized and existing under the California Water District Law and is not affiliated with or controlled in any way by the County.

The District currently provides potable and recycled water service to an area encompassing approximately 17,966 acres (29 square miles) in the southeastern portion of the County approximately 20

miles east of downtown Los Angeles. The District serves customers in the City of Diamond Bar, portions of the Cities of Walnut, Pomona, West Covina and Industry and the unincorporated community of Rowland Heights. The population within the District’s service area is approximately 99,996 and the District had 27,086 potable water connections and 330 recycled water connections as of March 31, 2021.

The District has four sources of potable water: (i) imported water that the District purchases from The Metropolitan Water District of Southern California (“**MWD**”) through Three Valleys Municipal Water District (“**TVMWD**”); (ii) water purchased from the La Habra Heights County Water District (“**La Habra**”) and the Orchard Dale Water District (“**Orchard Dale**”) through a joint arrangement with Rowland Water District (“**Rowland**”); (iii) water purchased from California Domestic Water Company (“**Cal Domestic**”) through a joint arrangement with Rowland; and (iv) water pumped from wells in the Six Basins Watershed (“**Six Basins**”) through a joint arrangement with Rowland. See the caption “THE WATER SYSTEM—Water Supply—Potable Water.”

The District has two sources of recycled water: (i) treated wastewater that is produced at the County Sanitation Districts of Los Angeles County’s (“**CSDLAC**”) Pomona Water Reclamation Plant (the “**Pomona WRP**”); and (ii) local groundwater that is pumped from five wells that the District owns and operates within the Puente Groundwater Basin (the “**Puente Basin**”) and the Spadra Groundwater Basin (the “**Spadra Basin**”). See the caption “THE WATER SYSTEM—Water Supply—Recycled Water.”

**Land and Land Use**

The terrain of the District’s service area includes rolling hills and valleys, which necessitate the operation of booster pumps and pressure regulating stations in order to deliver water to customers. The service area is primarily residential, with supporting commercial land uses. The portions of the City of Industry that are within the District’s service area also include industrial land uses.

The population within the District’s service area is currently estimated to be approximately 99,996, as calculated using the California Department of Water Resources (“**DWR**”) Population Tool. Based upon Southern California Association of Governments growth rate projections, the population within the District’s service area is expected to be approximately 103,695 in 2035. Of the 27,416 Water System accounts as of March 31, 2021, approximately 93% were single family residential accounts. See the caption “THE WATER SYSTEM—Historical Water System Service Connections.”

**Governance and Management**

**Board of Directors.** The District is governed by a five-member Board of Directors (the “**Board**”) elected by division for staggered four-term years. Information about the District’s current Board members is set forth below.

**WALNUT VALLEY WATER DISTRICT  
BOARD OF DIRECTORS**

<i>Name</i>	<i>Office</i>	<i>Occupation</i>	<i>Term Expires</i>
Scarlett P. Kwong	President, Division V	Aerospace Project Engineer/Budget Manager	2024
Jerry Tang	First Vice President, Division I	Environmental Scientist	2024
Edwin M. Hilden	Second Vice President, Division II	Certified Financial Planner	2022
Theresa Lee	Director, Division III	Business Owner	2022
Kevin T. Hayakawa	Director, Division IV	Physicist	2024

**Key District Staff Members.** Daily operations of the District are administered by the General Manager, with support from the Assistant General Manager/Director of Finance. The names of the key staff members are set forth below, together with brief biographical information.

*Erik Hitchman, General Manager.* Mr. Hitchman has been with the District since 1998 and has served as General Manager since 2018. He previously served as the District's Assistant General Manager/Chief Engineer and Director of Engineering. Prior to coming to the District, Mr. Hitchman worked in various engineering capacities for TVMWD and the County of Los Angeles Department of Public Works. He is a Registered Professional Engineer in the State of California and holds a Grade 3 Water Distribution Certificate. Mr. Hitchman received his Bachelor of Science and Masters degrees in Civil Engineering from California State University, Long Beach.

*Brian Teuber, Assistant General Manager.* Mr. Teuber has been with the District since 2006 and has served as Assistant General Manager since 2018. He previously served as the District's Director of Finance and Accounting Manager. Prior to coming to the District, Mr. Teuber worked as a finance manager for the San Gabriel Basin Water Quality Authority and as an accountant in private practice. Mr. Teuber received a Bachelor's degree in Business Administration from California Polytechnic University, Pomona.

*Joshua Byerrum, Accounting Manager.* Mr. Byerrum has been with the District since 2018. Prior to coming to the District, Mr. Byerrum worked as an accounting manager for Platinum Consulting Group, where he oversaw the accounting functions for eight different agencies. Mr. Byerrum is a registered Certified Public Accountant in the State of California.

## **Employee Relations**

**General.** As of June 30, 2020, the District had 56 full-time equivalent employees, comprised of 14 in Administration, 19 in Office Engineering, 21 in Operations and 2 part-time interns. No District employees are currently represented by a union, although District employees maintain three informal employee associations that are consulted in matters pertaining to wages, benefits and working conditions. The District has never experienced a strike, slowdown or work stoppage.

**Pension Plan.** Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board ("GASB") Statement No. 68 ("GASB 68"). GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer's balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the District's accounting reporting and disclosure requirements, but it does not affect the District's pension plan funding obligations.

The District participates in a 2.7% at 55 Plan for employees hired prior to October 1, 2010, a 2.0% at 55 Plan for employees hired between October 1, 2010 and December 31, 2012 and a 2.0% at 62 Plan for employees hired on or after January 1, 2013. The District's pension plans are administered by the California Public Employees Retirement System ("CalPERS"). CalPERS administers agent multiple-employer public employee defined benefit pension plans for all full-time District employees, with benefits vesting after five years of service. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the District. CalPERS plan benefit provisions and all other requirements are established by State statute and the Board. Information about the District's pension obligations is set forth below.

District employees are subject to different benefit levels depending on their date of hire. Current benefit provisions for District employees are set forth below.

**WALNUT VALLEY WATER DISTRICT  
CALPERS PENSION PLANS – SUMMARY OF BENEFIT PROVISIONS**

	<i>Employees Hired Before October 1, 2010</i>	<i>Employees Hired On or Between October 1, 2010 and December 31, 2012</i>	<i>Employees Hired On or After January 1, 2013 (AB 340)</i>
Benefit Formula	2.7% @ age 55	2.0% @ age 55	2.0% @ age 62
Benefit Vesting	5 years of service	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50-63	50-63	52-67
Employee Contribution Rate	7.960% <sup>(1)</sup>	6.910% <sup>(1)</sup>	7.250% <sup>(1)</sup>

<sup>(1)</sup> As of January 1, 2021, employees in all of the District’s CalPERS pension tiers make the full employee contribution themselves. Effective July 1, 2021, and continuing each year through July 1, 2023, the employee contribution rate will increase by 1% per year, up to a maximum rate equal to 50% of the plans’ total normal cost.

Source: District.

Contributions to the District’s pension plan consist of: (i) contributions from plan participants (i.e., employees); and (ii) contributions by the District.

District employees who were hired on or after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2.0% at age 62 formula; such employees are required to make the full amount of required employee contributions themselves under the California Public Employees’ Pension Reform Act of 2013 (“**AB 340**”), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier – 2.0% at age 62 formula, with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Such participants are required to pay at least 50% of the total normal cost rate (referring to current year pension costs). AB 340 also caps pensionable income as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

**WALNUT VALLEY WATER DISTRICT  
PENSIONABLE INCOME CAPS FOR 2021 (AB 340 AND NON-AB 340 EMPLOYEES)**

	<i>Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>After January 1, 2013 (AB 340 Employees)</i>
Maximum Pensionable Income	\$290,000	\$153,671
Maximum Pensionable Income if also Participating in Social Security	N/A	\$128,059

Source: District.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the District’s unfunded pension liability and potentially reduce District contribution levels in the long term.

The District is required to contribute the remainder of the actuarially determined amounts necessary to fund pension benefits which are not contributed by employees. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. The total minimum required employer contribution is the sum of the plan’s

employer normal cost rate (expressed as a percentage of payroll) plus the employer unfunded accrued liability contribution amount (billed monthly). The normal cost rate is the annual cost of service accrual for the upcoming Fiscal Year of active employees.

The required employer contribution rates for normal costs for Fiscal Years 2020 and 2021 were as follows (expressed as percentages of annual covered payroll): (i) 14.334% and 15.202%, respectively, for the 2.7% at age 55 benefit level; (ii) 11.120% and 11.816%, respectively, for the 2.0% at age 55 benefit level; and (iii) 7.191% and 7.847%, respectively, for the 2.0% at age 62 AB 340 benefit level.

The required employer contribution rates for normal costs for Fiscal Year 2022 are as follows (expressed as percentages of annual covered payroll): (i) 15.02% for the 2.7% at age 55 benefit level; (ii) 11.66% for the 2.0% at age 55 benefit level; and (iii) 7.70% for the 2.0% at age 62 AB 340 benefit level.

As described in the following sentence, unfunded accrued liability costs are expressed in dollars, with the District paying a total of \$865,976 and \$983,305 for the 2.7% at age 55 benefit level, 2.0% at age 55 benefit level and 2.0% at 62 AB 340 benefit level in Fiscal Years 2020 and 2021, respectively. Beginning in Fiscal Year 2018, CalPERS began collecting employer contributions toward a pension plan's unfunded liability as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential underfunding that could arise from a declining payroll or a reduction in the number of active members in the plan. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection for informational purposes only. Contributions toward a pension plan's unfunded liability will continue to be collected as set dollar amounts.

The District's required contributions to CalPERS are based on the CalPERS Annual Actuarial Report, which can fluctuate each year and, as noted, includes a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the District's required contributions to CalPERS in future years. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2010 through 2020 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7% and 4.7%, respectively. Preliminary returns for Fiscal Year 2021 indicate investment gains of 21.3%. Reductions in CalPERS' earnings could increase future contribution rates for plan participants, including the District, although the District is unable to estimate the magnitude of any such increases at this time. The District does not expect that any increase in required pension contributions will have a material adverse effect on the ability of the District to pay the 2021 Bonds.

On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the then-current rate of 7.50% to 7.00% over a three-year period as a result of changing assumptions with respect to inflation and the rate of return on CalPERS investments. For public agencies such as the District, the first discount rate reduction took effect July 1, 2018. Lowering the discount rate means that 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 who were not previously CalPERS members will also see their contribution rates rise under AB 340. The reduction in the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most pension plans such as the District's plan. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long term. The specific effect of the lowering of the discount rate on the District's pension obligations is not known at this time.

The announcement on July 12, 2021 that CalPERS achieved preliminary investment returns of 21.3% could cause the CalPERS Board of Administration to lower CalPERS' discount rate from 7.00% to 6.80% in accordance with a risk mitigation policy that was adopted in 2015, which calls for the discount rate to be lowered if returns exceed the then-current discount rate by two or more percentage points. There can be no assurance as to whether or when the CalPERS Board of Administration will consider lowering the discount rate.

*Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The District has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.*

*The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The District cannot guarantee the accuracy of such information. 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.*

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2020 is shown below.

**WALNUT VALLEY WATER DISTRICT  
ACTUARIAL ASSUMPTIONS FOR CALPERS PENSION PLAN**

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	varies by entry age and service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.50%
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' membership data for all funds

<sup>(1)</sup> The mortality table used was developed based on CalPERS-specific data, including 20 years of mortality improvements using Society of Actuaries Scale BB.

Source: District.

The District's CalPERS pension plan had a total net pension liability of approximately \$13,156,366 applicable to the Fiscal Year ended June 30, 2019 and approximately \$14,301,343 applicable to the Fiscal Year ended June 30, 2020. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The District's total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts. The District notes that its net pension liability may increase in the future as a result of losses in CalPERS' portfolio, although the District is unable to quantify the magnitude of any such increase at this time. The District does not expect that any increase in the net pension liability will have a material adverse effect on the ability of the District to pay the 2021 Bonds.

Changes in the net pension liability for the District’s CalPERS pension plan were as follows:

**WALNUT VALLEY WATER DISTRICT  
CHANGES IN CALPERS PENSION PLAN NET PENSION UNFUNDED LIABILITY**

	<i>Increase / (Decrease)</i>			
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>	<i>Funded Percentage<sup>(1)</sup></i>
Balance at June 30, 2018	\$51,943,674	\$38,787,308	\$13,156,366	74.67%
Balance at June 30, 2019	<u>54,238,513</u>	<u>39,937,170</u>	<u>14,301,343</u>	73.63
Net Changes for period from July 1, 2018 through June 30, 2019	\$ 2,294,839	\$ 1,149,862	\$ 1,144,977	

<sup>(1)</sup> Plan Fiduciary Net Position divided by Total Pension Liability.  
Source: District.

The following table presents the net pension liability of the District’s CalPERS pension plan, calculated using the discount rate as of June 30, 2019 (7.15%) (applicable to Fiscal Year 2020), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

**WALNUT VALLEY WATER DISTRICT  
SENSITIVITY OF THE CALPERS PLAN NET PENSION LIABILITY  
TO CHANGES IN THE DISCOUNT RATE**

	<i>Discount Rate – 1% (6.15%)</i>	<i>Current Discount Rate (7.15%)</i>	<i>Discount Rate + 1% (8.15%)</i>
Net Pension Liability/(Asset)	\$21,596,588	\$14,301,343	\$8,279,633

Source: District.

The District’s projections of Operation and Maintenance Costs under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” do not currently assume significant increases in CalPERS normal cost contributions in the future as a result of the economic recession in the wake of the COVID-19 outbreak, CalPERS investment losses or otherwise. See the caption “—COVID-19 Outbreak.” The District does not expect that any increased funding of pension benefits will have a material adverse effect on the ability of the District to pay the 2021 Bonds.

For additional information relating to the District’s CalPERS pension plans, see Note 9 to the District’s audited financial statements set forth in Appendix A.

**Other Post-Employment Benefits.** The District administers a single-employer defined benefit healthcare plan which provides medical, dental and other insurance benefits to eligible retirees. A summary of eligibility requirements and benefits payable is set forth below:

*Employees hired before March 1, 1989 (Group A):* Group A employees are eligible for retiree benefits upon retirement from the District after at least age 50. Benefits include 100% of medical, dental and vision premiums for the retired employee and dependent spouse and/or dependents. The District also reimburses Group A employees for Medicare Part B premiums paid for the retiree and spouse. Limited life insurance coverage is also included in the benefit plan.

*Employees hired after February 28, 1989 and before July 1, 2005 (Group B):* Group B employees who are at least age 50, with a minimum of 5 years of service, are entitled to 100% of retiree medical, dental and vision premiums for the retired employee, plus a vested percentage (depending on the retiring employee's job class and years of service) for the dependent spouse. The District also reimburses Group B employees for Medicare Part B premiums paid for the retiree and spouse. Limited life insurance coverage is also included in the benefit plan.

*Employees hired after June 30, 2005 and before July 1, 2014 (Group C):* Group C employees who are at least age 50, with a minimum of 15 years of service (or 10 years for mid-level managers or 5 years for executive staff) are entitled to the same benefits as Group B employees listed above. Limited life insurance coverage is also included in the benefit plan.

*Employees hired after June 30, 2014 (Group D):* Group D employees who are at least age 52, with a minimum of 20 consecutive years of service prior to retirement, are entitled to 100% of retiree medical, dental and vision premiums for the retiree only. Limited life insurance coverage is also included in the benefit plan.

As of June 30, 2020, 40 District retirees received such post-employment benefits and 54 active employees, who upon retirement and having met the requirements that are above, would become eligible for such post-employment benefits.

The District has established a trust that is administered by Public Agency Retirement Services (the "**OPEB Trust**") for the purpose of holding irrevocable contributions toward the District's post-employment benefit liability.

In Fiscal Years 2020 and 2021, the District contributed \$675,417 and \$709,669, respectively, to pay post-employment benefits for eligible retirees (thereby reducing the District's net post-employment benefit liability). In addition, in Fiscal Years 2020 and 2021, the District contributed \$750,969 and \$1,711,076, respectively, to the OPEB Trust (thereby increasing the District's fiduciary net position for post-employment benefits).

Governmental Accounting Standards Board Statement No. 75 ("**GASB 75**") requires governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as the District, to account for and report such outstanding obligations and commitments in essentially the same manner as for pensions. While the District is required to record the total post-employment benefit liability and annual post-employment benefit expense in its financial statements, GASB 75 does not require the District to fund the actuarial value of benefits earned during a Fiscal Year plus costs to amortize the unfunded actuarial accrued liability (the "**OPEB ARC**").

In 2020, the District engaged an actuarial consultant (the "**Consultant**") to perform a Valuation of Retiree Health Benefits, Report of GASB 75 Actuarial Valuation as of June 30, 2020. The Consultant's valuation report concluded that: (i) the District's total post-employment benefit liability, based upon a 6.25% discount rate, was \$16,999,280 as of June 30, 2021 (measurement date June 30, 2020); (ii) the reported plan fiduciary net position (the market value of assets in the OPEB Trust) totaled \$12,026,069 as of June 30, 2021; and (iii) the net post-employment benefit liability was \$4,973,211 as of June 30, 2021. The report also demonstrated that the District's post-employment benefit expense for the year ended June 30, 2021 was of \$677,413.

Changes in the net liability for the District's post-employment benefit plan were as follows.



**WALNUT VALLEY WATER DISTRICT  
CHANGES IN POST-EMPLOYMENT BENEFIT PLAN LIABILITY**

	<i>Increase / (Decrease)</i>			
	<i>Total Post-Employment Benefit Plan Liability</i>	<i>Post-Employment Benefit Plan Fiduciary Net Position</i>	<i>Net Post- Employment Benefit Plan Liability / (Asset)</i>	<i>Funded Percentage<sup>(1)</sup></i>
Balance at June 30, 2020	\$16,102,074	\$10,787,206	\$5,314,868	66.99%
Balance at June 30, 2021	<u>16,999,280</u>	<u>12,026,069</u>	<u>4,973,211</u>	70.74
Net Changes for period from July 1, 2020 through June 30, 2021	\$ 897,206	\$ 1,238,863	\$ (341,657)	

<sup>(1)</sup> Post-Employment Benefit Plan Fiduciary Net Position divided by Total Post-Employment Benefit Plan Liability.  
Source: District.

The following table presents the net liability of the District’s post-employment benefits plan, calculated using the discount rate of 6.25%, as well as what the net post-employment benefit liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the Fiscal Year 2020 rate:

**WALNUT VALLEY WATER DISTRICT  
SENSITIVITY OF THE POST-EMPLOYMENT BENEFIT PLAN NET LIABILITY  
TO CHANGES IN THE DISCOUNT RATE**

	<i>Discount Rate – 1% (5.25%)</i>	<i>Applicable Discount Rate (6.25%)</i>	<i>Discount Rate + 1% (7.25%)</i>
Net Liability/(Asset)	\$7,469,223	\$4,973,211	\$2,942,140

Source: District.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The District’s projections of Operation and Maintenance Costs under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the District’s annual required contributions, and such increases could be material to the finances of the District. No assurance can be provided that such expenses will not increase significantly in the future. The District does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the District to pay the 2021 Bonds.

See Note 8 to the District’s Financial Statements set forth in Appendix A for further information with respect to post-employment benefits.

## **Budget Process**

The District adopts an annual budget every year. The District's budget is prepared by staff and includes operations and capital improvement projects, with revenues and expenditures forecasted for the upcoming Fiscal Year. Upon submission of the proposed budget to the Board, public meetings are held to consider the budget. The budget is approved prior to and effective as of July 1 of each year. Any appropriations that have not been expended, lawfully encumbered or carried forward by action of the Board lapse at the end of each Fiscal Year.

The budget for Fiscal Year 2022 was approved by the Board on June 21, 2021.

## **District Insurance**

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority ("ACWA/JPIA"), a risk-pooling, self-insurance authority for qualified State water agencies that was created under the provisions of California Government Code § 6500 *et seq.* ACWA/JPIA commenced operations on October 1, 1979. Members of ACWA/JPIA have pooled funds for liability and property insurance coverage, including both self-insured coverage and excess coverage purchased from commercial insurers. As of July 1, 2021, the District maintained the following coverages:

**Property Loss.** The District is insured up to replacement value with a \$2,500 deductible per occurrence for scheduled buildings, personal property and fixed equipment, up to actual cash value with a \$1,000 deductible for mobile equipment and up to actual cash value with a \$500 deductible for vehicles. ACWA/JPIA is risk-pooled for property losses up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 per occurrence. Scheduled fixed equipment is covered for accidental mechanical breakdown up to a sub-limit of \$100,000,000, with deductibles ranging from \$25,000 to \$50,000 depending upon the type of equipment.

Certain portions of the Water System, including distribution pipelines and other underground infrastructure that is not part of an above-ground structure, are not insured.

The property program includes earthquake insurance for scheduled property up to a program aggregate limit of \$2,500,000, subject to a minimum \$50,000 deductible.

**General, Automobile, Employment Practices and Public Officials' Liability.** The District is insured through ACWA/JPIA up to \$5,000,000 per occurrence, and ACWA/JPIA has purchased additional coverage up to \$55,000,000 from commercial insurers, subject to policy aggregate limits.

**Workers Compensation.** The District is insured through ACWA/JPIA up to statutory limits. Employers' liability is covered up to \$4 million. ACWA/JPIA is self-insured up to \$2 million and excess coverage has been purchased.

**Underground Storage Tank Pollution Liability.** The District is insured for bodily injury, property damage and government-mandated cleanup costs through ACWA/JPIA up to \$500,000, and ACWA/JPIA has purchased additional coverage up to \$3,000,000, with a deductible of \$10,000.

The occurrence of any natural disaster in the District's service area, including, without limitation, fire, earthquake, landslide, drought, high winds or flooding, could have an adverse material impact on the economy within the District, the Water System and the Revenues that are available for the payment of the 2021 Bonds. The District is located in a seismically active area, with the Whittier Narrows fault passing near the District's service area. Unmapped faults may also exist within the District's service area.

If a disaster is declared within the District's service area, the District expects to pursue public assistance funds through the Federal Emergency Management Agency ("FEMA") if eligible. There can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Settled claims have not exceeded any of the coverage amounts in any of the last three Fiscal Years and there were no reductions in the District's insurance coverage during the years ended June 30, 2020, 2019 and 2018.

### **No Outstanding Parity or Senior Obligations**

Upon the refunding of the 2013 Bonds as discussed under the caption "PLAN OF FINANCE," the District will have no outstanding obligations which are payable from Revenues on a parity or senior basis to the 2021 Bonds.

### **1% *Ad Valorem* Property Tax Revenues**

**General.** The County levies a 1% *ad valorem* property tax on behalf of all taxing agencies in the County, including the District. The taxes that are collected are allocated to taxing agencies within the County, including the District, on the basis of a formula established by State law in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

1% *ad valorem* property tax revenues constitute Revenues which are pledged to the repayment of the 2021 Bonds.

**Assessed Valuation History.** The assessed valuation of the property in the County is established by the County Assessor, except for public utility property, which is assessed by the California Department of Tax and Finance Administration. Generally, property can be reappraised to market value only upon a change in ownership or completion of new construction. The assessed value of property that has not incurred a change of ownership or new construction must be adjusted annually to reflect inflation at a rate not to exceed 2% per year based on the State consumer price index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, the assessed value must be reduced temporarily to reflect market value.

The County Assessor determines and enrolls a value for each parcel of taxable real property in the County every year. The value review may result in a reduction in value. Taxpayers in the County also may appeal the determination of the County Assessor with respect to the assessed value of their property.

The table below sets forth the secured and unsecured assessed valuations for property in the District for the last five Fiscal Years. The information in the table below has been provided by the County. The District has not independently verified the information in the table below and does not guarantee its accuracy.

**WALNUT VALLEY WATER DISTRICT  
ASSESSED VALUATION HISTORY**

<i>Fiscal Year</i>	<i>Secured Value</i>	<i>Unsecured Value</i>	<i>Less Exemptions</i>	<i>Total Taxable Assessed Value</i>	<i>% Increase</i>
2017	\$16,905,282,791	\$377,463,094	\$122,446,245	\$17,160,299,640	N/A%
2018	17,671,204,096	373,741,153	120,013,987	17,924,931,262	4.46
2019	18,694,449,819	413,484,488	118,357,060	18,989,577,247	5.94
2020	19,430,013,207	426,707,212	117,134,622	19,739,585,797	3.95
2021	20,152,545,282	479,220,844	114,891,000	20,516,875,126	3.94

Sources: Los Angeles County Assessor’s Office; Los Angeles County Auditor-Controller.

**Property Tax Collections and Delinquencies.** Property in the State which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.”

The secured classification includes property on which any property tax levied by a county becomes a lien on that property. Every tax which becomes a lien on secured property has priority over all other liens, arising pursuant to State law, on the secured property, regardless of the time of the creation of other liens.

The exclusive means of forcing the payment of delinquent taxes with respect to secured property is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. In accordance with the State Revenue and Taxation Code, the County Treasurer-Tax Collector collects secured tax levies for each Fiscal Year in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer-Tax Collector.

A tax levied on unsecured property may become a lien on certain other property owned by the taxpayer. Property taxes on the unsecured roll are due as of a January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of 1.5% per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 (“**Order N-61-20**”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code were suspended until May 6, 2021 to the extent that they required a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Such penalties, costs and interest will be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response thereto. See the caption “—COVID-19 Outbreak.” The District did not receive material amounts of property tax payments for Fiscal Year 2020 later than usual as a result of Order N-61-20.

As discussed in detail below, the County does not participate in the “Teeter Plan,” and the District is therefore exposed to the risk of delinquencies in the payment of property taxes.

State law also provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year.

An initiative measure (the “**Split Roll Initiative**”) to amend Article XIII A of the State Constitution qualified for the State’s November 2020 ballot. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Article XIII A.” Although it was not adopted by State voters, the Split Roll Initiative would have based property taxes for commercial and industrial properties on periodic analyses of market values beginning in tax year 2020-21. Such market values would have been reassessed by the applicable county assessor’s office at least once every three years. The Split Roll Initiative included exceptions for businesses with a total market value of less than \$2 million (adjusted for inflation), which would have continued to be subject to property taxes based on purchase price, and exempted from property tax assessments up to \$500,000 of the value of personal property, or all personal property for businesses with fewer than 50 employees. Although the Split Roll Initiative was not adopted, there can be no assurance that a similar initiative will not be brought before voters in the future. The District is unable to predict how the adoption of such a future initiative would affect the receipt of 1% *ad valorem* property tax revenues.

For a number of years, the State Legislature shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund (“**ERAF**”). In Fiscal Years 1993 and 1994, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over \$3 billion of property taxes from cities, counties, and special districts to schools and community college districts pursuant to ERAF shifts. The Fiscal Year 2005 State Budget included an additional \$1.3 billion shift of property taxes from certain local agencies, including the District, in Fiscal Years 2005 and 2006.

On July 27, 2009, the Governor signed a revised Fiscal Year 2010 State budget that included an ERAF shift of approximately 8% of 1% *ad valorem* property tax revenues from certain local agencies, including the District.

On November 2, 2010, State voters approved Proposition 22, which: (i) prohibits the State from shifting or delaying the distribution of funds from special districts to schools and community colleges; (ii) eliminates the authority to shift property taxes temporarily during a severe financial hardship of the State; and (iii) restricts the State’s authority to use fuel tax revenues to pay debt service on transportation bonds, to borrow or change the distribution of fuel tax revenues or to use vehicle license fee revenues to reimburse local governments for state-mandated costs.

Despite the passage of Proposition 22, there can be no assurance that 1% *ad valorem* property tax revenues which the District currently expects to receive will not be temporarily shifted from the District or reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of its share of 1% *ad valorem* property tax revenues by the District.

Set forth in the table below are property tax collections and delinquencies in the District as of June 30 for the last five Fiscal Years for which information is available. The County does not participate in the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State, and the District is therefore exposed to the risk of delinquencies in the payment of property taxes. However, the District receives penalties and interest when property taxes are paid late. The District also receives supplemental taxes throughout the year.

**WALNUT VALLEY WATER DISTRICT  
1% AD VALOREM PROPERTY TAX LEVIES AND COLLECTIONS**

<i>Fiscal Year</i>	<i>Total Levied</i>	<i>Total Collections Within Fiscal Year of Levy</i>	<i>Total Delinquent</i>	<i>Percent of Levy Collected Within Fiscal Year of Levy</i>
2017	\$ 992,830	\$ 981,018	\$11,812	98.81%
2018	1,043,032	1,030,055	12,977	98.76
2019	1,095,291	1,080,308	14,983	98.63
2020	1,142,834	1,117,037	25,797	97.74
2021 <sup>(1)</sup>	1,211,520	1,131,786	79,734	93.42

<sup>(1)</sup> Reflects results through May 31, 2021 only. Subject to change.  
Sources: Los Angeles County Auditor; District.

**Standby Charges**

The California Water District Law provides for the levy of standby charges on lands within the District, the proceeds of which may be used for any District purpose. Standby charges are levied annually and are billed in two equal installments on annual property tax bills. See the caption “—1% Ad Valorem Property Tax Revenues—Property Tax Collections and Delinquencies” for a discussion of collection procedures for 1% *ad valorem* property taxes, which are also the collection procedures that apply to standby charges.

Standby charge revenues constitute Revenues which are pledged to the repayment of the 2021 Bonds.

The standby charge is calculated based on parcel size, and is currently \$56.00 per acre, or a minimum charge of \$14.00 for parcels of less than one-quarter of an acre. The District currently applies standby charge proceeds to maintain, repair, and replace the District’s fire protection facilities, as well as for other production, operations and maintenance purposes.

The Board may increase the level of standby charges subject to compliance with the provisions of Article XIID of the State Constitution. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Set forth in the table below are standby charge collections in the District as of June 30 for the last five Fiscal Years for which information is available.

**WALNUT VALLEY WATER DISTRICT  
HISTORICAL STANDBY CHARGES AND COLLECTIONS**

<i>Fiscal Year</i>	<i>Standby Charge Revenues</i>	<i>Standby Charges Collected Within Fiscal Year of Levy</i>	<i>Percent of Levy Collected within Fiscal Year of Levy</i>
2017	\$951,212	\$815,294	85.71%
2018	952,177	822,514	86.38
2019	957,182	837,186	87.46
2020	936,980	795,775	84.93
2021 <sup>(1)</sup>	928,031	766,999	82.65

<sup>(1)</sup> Reflects results through May 31, 2021 only. Subject to change.  
Source: Los Angeles County Auditor.

## **Other Land-Based Charges**

***Acreage Supply Charge.*** The California Water District Law provides for the collection of water availability charges in lieu of assessments. The proceeds of water availability charges may be used for any District purpose. The District imposes a water availability charge known as the “**Acreage Supply Charge**” at the time that it receives an application for water service, a request for modification of water service or a change in land status, where the applicant or its predecessor in interest has not previously paid the charge. The Acreage Supply Charge is imposed at the current rate of \$1,465 per acre, with a minimum parcel charge of \$50. The District applies proceeds of the Acreage Supply Charge to finance the construction of capital improvements. Acreage Supply Charge revenues are highly variable from year to year depending upon the level of development activity within the District’s service area.

***Reservoir Capacity Fee.*** To finance certain capital improvements to the Water System, the District imposes an additional fee (the “**Reservoir Capacity Fee**”) on applicants or developers that install, modify or add onto existing water service or change the status of land. The Reservoir Capacity Fee is imposed at the current rate of \$750 per acre (or parcel of less than one acre) of residential property, \$300 per multifamily unit, \$1,000 per acre (or parcel of less than one acre) of commercial property and \$1,613 per acre (or parcel of less than one acre) of industrial property. Reservoir Capacity Fee revenues are highly variable from year to year depending upon the level of development activity within the District’s service area.

***Water Supply Charge.*** In order to finance projects to meet new system demand, every applicant or developer that installs, modifies or adds to an existing service, or changes the type of land or site use, must pay a Water Supply Charge for each parcel of land that is benefited from such installation, modification, addition or change in land use. The Water Supply Charge is imposed at the current rate of \$2,810 per acre of calculated water demand.

## **Cybersecurity**

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore’s 911 system, an attack on the Colorado Department of Transportation’s computers, an attack that resulted in the temporary closure of the Port of Los Angeles’ largest terminal and a cyber-attack on a water treatment facility in Oldsmar, Florida.

District information technology support staff provides network and server administration and monitoring, desktop and server virus scanning and security and firewall services, as well as training to District employees on cyber security matters. District staff regularly analyzes the District’s network for potential weaknesses in cyber security and thereafter promptly implements solutions for identified shortfalls. In addition, the District contracts with third party vendors to monitor and augment internal monitoring of the District’s Supervisory Control and Data Acquisition systems. To date, the District has not experienced an external attack on its computer operating systems resulting in a data breach. District staff is regularly trained to spot potential scams or inconsistencies in network performance which may indicate system vulnerability. However, there can be no assurance that a future attack or attempted attack would not result in disruption of District operations. The District expects that any such disruptions would be temporary in nature.

## **COVID-19 Outbreak**

The spread of the novel strains of coronavirus collectively called SARS-CoV-2, which cause the disease known as COVID-19 (“**COVID-19**”), and local, State and federal actions in response to COVID-19, have impacted the District’s operations and finances. In response to the increasing number of COVID-19 infections and fatalities, health officials and experts have recommended, and some governments have mandated, a variety of responses ranging from travel bans and social distancing practices to complete

shutdowns of certain services and facilities. The World Health Organization has declared the COVID-19 outbreak to be a pandemic and on March 4, 2020, as part of the State's response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments. Many school districts across the State temporarily closed some or all school campuses (including schools within the District's service area) in response to local and State directives or guidance.

On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory Statewide shelter-in-place order applicable to all non-essential services. On May 4, 2020, the Governor issued an executive order informing local health jurisdictions and industry sectors that they could gradually re-open under new modifications and guidance provided by the State. A phased re-opening of various sectors in accordance with a four-stage re-opening plan ended with a full reopening of the economy on June 15, 2021. Although pursuant to the re-opening plan some restrictions on activities were eased, restrictions were re-imposed in various jurisdictions (including the County) as local conditions warranted, and such restrictions could be re-imposed in the future.

On March 27, 2020, the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the "**CARES Act**") which provides \$150 billion in financial assistance to states, tribal governments and local governments. Under the CARES Act, local governments are eligible for reimbursement of certain costs which are expended to address the impacts of the pandemic. The District does not expect to receive CARES Act funding, but is tracking its pandemic-related expenses and has submitted a public assistance request to FEMA in the amount of \$35,646 for such expenses. Any funds received by the District under the CARES Act are not available for payment of the 2021 Bonds and cannot be used to backfill any District revenue losses related to COVID-19.

On December 27, 2020, the President signed the \$900 billion Coronavirus Response and Relief Supplemental Appropriations Act. Although the act did not provide additional financial assistance to state and local governments, it did extend the deadline (to October 2021) for them to use unspent funds that were previously approved under the CARES Act.

On March 11, 2021, the President signed the American Rescue Plan Act of 2021 (the "**ARP Act**"), a \$1.9 trillion economic stimulus package that is designed to help the United States' economy recover from the adverse impacts of the COVID-19 pandemic. The ARP Act includes approximately \$350 billion in aid to state and local governments such as the District, consisting of both direct funding from the United States Department of Treasury and program moneys that will flow from other federal agencies. Half of the aid to state and local governments will be distributed in spring 2021, with the other half following in 2022. County governments have been allocated a total of approximately \$65.1 billion, and the District expects the majority of any amounts that it receives under the ARP Act to come from moneys allocated to the County for the benefit of special districts, or from State budget allocations. The allocation of amounts appropriated by the ARP Act has not yet been announced, and the District can provide no assurance that it will receive any funding pursuant to the ARP Act, or as to the amount or timing of any such funding if received, until such allocations have been announced. Any ARP Act funds received by the District must be used: (i) to assist households, small businesses, nonprofit entities and impacted industries, including hospitality, travel and tourism; (ii) to pay a salary premium to essential workers up to \$13 an hour with an annual cap of \$25,000; (iii) to cover for lost revenue in providing services; and (iv) to make investments in water, sewer or broadband infrastructure.

The effects of the COVID-19 outbreak and governmental actions responsive to it are altering the behavior of businesses and people in a manner that is having significant negative impacts on global and local economies. In addition, financial markets in the United States and globally have seen significant declines and experienced significant volatility attributed to COVID-19 concerns. Volatility in the financial markets caused CalPERS' earnings to fall below its investment targets in Fiscal Year 2020, which could result in increases in the District's unfunded pension liability and future pension costs commencing in Fiscal Year 2023. See the caption "**—Employee Relations—Pension Plan.**" The outbreak has increased pressure on State finances, as



budgetary resources are directed towards containing the pandemic and tax revenues sharply decline. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak are continuing throughout the United States, including the County. The County is the most populous County in the United States and has both the highest number of confirmed COVID-19 infections and the highest number of COVID-19 fatalities in the United States.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the District, cancellations of public events and disruption of the regional and local economy. The District also experienced additional incidents of customer late payments or non-payments, although such incidents have not had a material adverse effect on the District's financial condition or operations.

In response to the COVID-19 outbreak, the District has enabled certain employees to telecommute and moved employees to multiple locations in order to prevent large gatherings of Water System personnel at any one time and maintain their health and the operations of the Water System. In addition, on-site personnel are wearing masks and practicing social distancing while working. Access to the District's administrative offices has been restricted and Board meetings are occurring via teleconference. The District does not foresee an impact on Water System operations at this time as a result of the COVID-19 outbreak.

In addition, the Governor has suspended utility service shutoffs (including for the Water System) through September 30, 2021, and the District will not seek to collect late fees or penalties. Although no service charges are being forgiven, the District's accounts receivable amount has increased as a result of the foregoing policy, with billings that are over 60 days delinquent totaling \$158,300 as of May 31, 2021. See the caption "THE WATER SYSTEM—Collection Procedures."

As discussed under the caption "—1% *Ad Valorem* Property Tax Revenues," the Governor issued Order N-61-20 in 2020 in response to the COVID-19 outbreak, which suspended certain provisions of the State Revenue and Taxation Code until May 6, 2021 to the extent that they required a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Such penalties, costs and interest were cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response thereto. The District did not receive material amounts of property tax payments for Fiscal Year 2020 later than usual as a result of Order N-61-20.

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District and the Water System is unknown. The District reports that Fiscal Year 2020 and 2021 Water System revenues and expenses were not materially affected by the COVID-19 outbreak.

As noted under the caption "THE WATER SYSTEM—Water System Rates and Charges—Adopted Rates and Charges," the District's water rates include fixed rates that are payable without regard to the amount of water used, which mitigates a portion of the impact of reduced water use by customers, if any. Overall, the District has experienced increases in water demand since March 2020. This increase was a result of higher sales to residential customers who have been sheltering in place and working from home. The increase in water sales to the residential customers offset the decrease in demand from the District's non-residential customers as a result of the emergency shutdowns which affected certain commercial, industrial, and institutional customers. Furthermore, the District does not rely heavily on the tourism and entertainment industries. Notwithstanding the foregoing, the District continues to actively monitor customer usage, revenues

and delinquencies so that the impacts of the pandemic can be anticipated. See the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage.”

## THE WATER SYSTEM

### General

In Fiscal Year 2021, based on available information to date, the Water System, excluding wholesale sales to other water agencies as discussed under the caption “—Wholesale Deliveries,” delivered approximately 16,998 acre feet of potable water and 2,100 acre feet of recycled water to a population of approximately 99,996 within the District’s service area through approximately 27,086 potable water connections and 330 recycled water connections.

The Water System consists of various physical components, including approximately 510 miles of water transmission pipelines, 18 booster pump stations, five groundwater wells which provide recycled water to District customers and 31 storage reservoirs with a combined capacity of 93.8 million gallons. The District’s recycled water system is separate from its potable water system.

The District does not own or operate any water treatment facilities.

### Water Supply

The District supplies both potable water and recycled water to customers.

The District has four sources of potable water: (i) imported water that the District purchases from MWD through TVMWD, an MWD member agency, as discussed under the subcaptions “—Potable Water—General” and “—Potable Water—MWD;” (ii) water purchased from La Habra and Orchard Dale through a joint arrangement with Rowland, as discussed under the subcaption “—Potable Water—Regional Water Supply Reliability Program;” (iii) water purchased from Cal Domestic through a joint arrangement with Rowland, as discussed under the subcaption “—Potable Water—Cal Domestic Supply;” and (iv) water pumped from wells in Six Basins through a joint arrangement with Rowland, as discussed under the subcaption “—Six Basins Supply.” The District has sufficient capacity from its connections to MWD facilities to meet the potable water demands of its customers with MWD supplies alone.

The District has two sources of recycled water: (i) treated wastewater that is produced at CSDLAC’s Pomona WRP, as discussed under the subcaption “—Recycled Water—Recycled Water Purchases;” and (ii) local groundwater that is pumped from five wells that the District owns and operates within the Puente Basin and the Spadra Basin, as discussed under the subcaption “—Recycled Water—Supplemental Recycled Water.”

#### *Potable Water.*

*General.* The Water System purchases the majority of its potable water supply from MWD through TVMWD, a member of MWD. MWD supplies are imported from northern California via the State Water Project and from the Colorado River via the Colorado River Aqueduct. Such water is delivered from MWD’s Weymouth Treatment Plant in the City of La Verne and, when surplus water is available, from TVMWD’s Miramar Treatment Plant in Claremont.

In 1955, the District, together with the City of Pomona and Rowland, constructed a pipeline (the “**Joint Water Line**”) for the purpose of delivering imported water to meet the water supply needs of each community. The Joint Water Line is 7.6 miles long and has a diameter of between 42 and 54 inches. In 1993, the District, together with the City of West Covina and Valencia Heights Water Company, constructed a 5.5 mile pipeline (the “**Badillo/Grand Transmission Main**”) in order to provide a secondary transmission source if the Joint Water Line is out of operation.

Water that is purchased from MWD is delivered from the Weymouth Treatment Plant through the Joint Water Line or through the Badillo/Grand Transmission Main to the District's Edmund M. Biederman Terminal Storage Reservoir and Hydroelectric Facilities in Walnut.

The District owns and operates a 150-kilowatt hydroelectric plant at its connection to the Joint Water Line. Power generated by this plant is sold to Southern California Edison and the revenues from such power sales constitute Revenues which are pledged to the payment of the 2021 Bonds.

The Joint Water Line is owned and operated by the Pomona-Walnut-Rowland Joint Water Line Commission (the "**PWR Commission**"), a joint exercise of powers agency the members of which are the District, Rowland and the City of Pomona. The District has two representatives on the governing board of the PWR Commission.

TVMWD is a wholesale water agency with 13 customers, which are referred to as "members," in a 133 square mile service area in the southeastern portion of the County. The District's service area comprises a portion of TVMWD's service area. TVMWD was established in 1950 in order to become a member of MWD and gain access to imported water supplied by MWD. TVMWD has a 7-member board of directors the members of which are elected by division. The District does not have a member representing the District's interests alone on the TVMWD board of directors.

*MWD.* MWD, which was created in 1928, is the largest wholesale water agency in the United States, distributing water to a service area that extends from Ventura to the California-Mexico border over 5,200 square miles in the County and the counties of Orange, Riverside, San Bernardino, San Diego and Ventura. MWD's primary purpose is to provide a supplemental supply of water for domestic and municipal uses at wholesale rates to its member agencies. MWD is comprised of 27 member public agencies, including 14 cities, 12 municipal water districts (including TVMWD) and one county water authority. TVMWD has a representative on MWD's board of directors.

MWD sells water directly to certain agencies and through subsidiary agencies such as TVMWD to other entities such as the District. The District pays TVMWD for MWD water supplies, with invoices run through the Puente Basin Water Agency, a joint exercise of powers agency the members of which are the District and Rowland, as further described under the subcaption "—Regional Water Supply Reliability Program," and through the PWR Commission.

TVMWD's charge to the Water System consists of three components: (a) TVMWD's cost to purchase treated water from MWD less the TVMWD treatment discount, as detailed below; (b) an MWD capacity reservation charge in the current amount of \$39,129 per month; and (c) TVMWD fixed charges in the current amount of \$16,473 per month.

The following table sets forth current and adopted future MWD rates per acre foot for treated and untreated water. The District purchases treated water only from MWD through TVMWD.

<i>Rates Effective Beginning</i>	<i>Full Service Domestic</i>		<i>Interim Agricultural Program<sup>(1)</sup></i>		<i>Direct Replenishment<sup>(1)</sup></i>	
	<i>Treated<sup>(2)</sup></i>	<i>Untreated</i>	<i>Treated</i>	<i>Untreated</i>	<i>Treated</i>	<i>Untreated</i>
January 1, 2021 Tier 1	\$ 1,104	\$777	N/A	N/A	N/A	N/A
January 1, 2021 Tier 2	1,146	819	N/A	N/A	N/A	N/A
January 1, 2022 Tier 1	1,143	799	N/A	N/A	N/A	N/A
January 1, 2022 Tier 2	1,185	841	N/A	N/A	N/A	N/A

<sup>(1)</sup> These programs are currently unavailable.

<sup>(2)</sup> Rates shown are reflective of the TVMWD treatment discount of \$6 per acre foot and \$16 per acre foot for 2020 and 2021, respectively.

Source: District.

MWD and TVMWD face various challenges in the continued supply of imported water to the District, including reductions in water deliveries through the State Water Project (of which MWD is a contractor). In March 2021, DWR, which operates the State Water Project, announced that allocations for water year 2020-21 would be limited to 5% of requested supplies. See the subcaptions “—Drought Declarations” below.

A description of the supply challenges faced by MWD, as well as a variety of other operating information with respect to MWD, is included in certain disclosure documents prepared by MWD. MWD has disseminated publicly available documents and has entered into continuing disclosure undertakings pursuant to which MWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file annual reports, notices of certain enumerated events as defined under Rule 15c2-12 and annual audited financial statements (the “**MWD Information**”) with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/> (“**EMMA**”). None of the MWD Information is incorporated into this Official Statement by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. MWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2021 BONDS TO PROVIDE MWD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE 2021 BONDS.

MWD HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS NOT MADE ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION THAT IS CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO MWD. MWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE 2021 BONDS UNDER RULE 15c2-12.

The costs of purchasing imported water from MWD and maintaining the water supply infrastructure that is necessary to deliver such water to District customers constitute Operation and Maintenance Costs of the Water System.

*Regional Water Supply Reliability Program.* In 1971, the District and Rowland formed a joint exercise of powers agency, the Puente Basin Water Agency (the “**Agency**”), to carry out water supply projects and groundwater basin management projects jointly. In 2014, in an effort to increase potable water supply reliability and manage future imported water supply costs, the District and Rowland created the Regional Water Supply Reliability Program (the “**RWSR Program**”), which encompasses various projects that the Agency will undertake to procure new water supplies. The RWSR Program includes the acquisition of a water supply from supplemental sources as detailed in the following paragraphs.

The La Habra Heights County Water District Project includes the construction and maintenance of water supply infrastructure, including approximately 4,000 feet of 12-inch diameter ductile iron pipe, 7 fire hydrants, 4 service laterals, a 6-inch flow meter, a block building housing chlorine and ammonia storage tanks and feed pumps and chlorine analyzers. The project connects the water distribution systems of the District and Rowland to the water supplies of La Habra and Orchard Dale. The infrastructure for this project is owned by the Agency and operated by Rowland by contract.

The supply of water under the La Habra Heights County Water District Project is governed by the terms of a Water Production and Delivery Agreement, dated May 16, 2012 (the “**Water Production Agreement**”), by and among Rowland, La Habra and Orchard Dale. Under the Water Production Agreement, La Habra and Orchard Dale agree to supply up to 2,000 acre feet of potable water per year produced from their joint facilities in the Central Groundwater Basin (the “**Central Basin**”). The Central Basin is an adjudicated groundwater basin in the southeastern portion of the County southwest of the District’s service area in which the Agency, La Habra and Orchard Dale have water rights.

LHHCWD will deliver water under the Water Production Agreement when the following conditions exist: (i) the water stored in LHHCWD’s Reservoir 9 is at a level of not less than 15 feet; (ii) the water stored in LHHCWD’s La Mirada Reservoir is at a level of not less than 20 feet; and (iii) the water stored in LHHCWD’s Lyons Reservoir is at a level of not less than 20 feet. If the total water stored in any reservoir falls below the specified level, then deliveries will be suspended until such time as the level in each of the reservoirs that was below the level specified herein reaches four feet above that specified level. LHHCWD has sole authority for operation of LHHCWD’s water system but will make reasonable efforts to maintain reservoirs at levels which permit deliveries under the Water Production Agreement.

The cost of water is based on an initial wheeling charge of \$162.09 per acre foot plus the cost of power. The wheeling charge was based upon the La Habra Heights County Water District & Rowland Water District 2020 Water Wheeling Study, which will be updated a minimum of every five years, unless otherwise agreed to, or unless a significant new capital asset with a cost of \$250,000 or greater is added to the project. For any single year in which the rate has not otherwise been updated, the wheeling charge will be increased on and effective July 1 in accordance with the consumer price index for Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area (based upon the previous calendar year), not to exceed 5%. The wheeling charge is exclusive of the cost of electricity, which is the only operating cost that LHHCWD may charge Rowland under the Water Production Agreement.

The Water Production Agreement has a term of 20 years and will be automatically renewed for five year periods thereafter unless terminated by one of the parties. The Agency has purchased a groundwater allocation in the Central Basin and the water supplied under the Water Production Agreement is either produced under that allocation or under water rights that the Agency or Rowland lease from other sources.

Disputes with La Habra regarding accounting for the La Habra Heights County Water District Project’s costs commenced in 2016 and the project has been shut down since that dispute started. The parties have recently fully resolved those disputes and changed certain processes with respect to the accounting for the project’s expenses, as well as the rate that Rowland will pay for water taken under the Water Production Agreement. However, the La Habra and Orchard Dale wells have been impacted by the presence of PFAS (as discussed below under the caption “—Water Quality—PFAS”). La Habra is pursuing funding to pay for PFAS treatment facilities.

The costs of purchasing water (if any) and operating and maintaining the La Habra Heights County Water District Project infrastructure are shared equally by the District and Rowland and constitute Operation and Maintenance Costs of the Water System.

*Cal Domestic Supply.* In 2016, in an effort to increase potable water supply reliability and manage future imported water supply costs, the District and Rowland began taking delivery of water supplied

by Cal Domestic, a mutual water company that has water rights in the Main San Gabriel Groundwater Basin (the “**Main San Gabriel Basin**”), pursuant to a joint project that was constructed by the District and Rowland. The project consists of the installation of a connection to Cal Domestic’s transmission system, a 24-inch flow meter, a block pump house building, five 250 horsepower vertical turbine pumps which can each pump up to 1,250 gallons per minute, chlorine and ammonia storage tanks and feed pumps, chlorine analyzers, approximately 15,500 feet of 24-inch diameter cement mortar lined and coated steel pipe and a pressure reducing station. The water supply infrastructure and treatment facilities are owned and operated by the Agency. The Agency also recently completed construction of the Pathfinder project, which consists of the installation of approximately 8,400 feet of 20-inch diameter cement mortar lined and coated steel pipe, and up to four metered intertie structures, in order to ensure more efficient delivery of water supplies from Cal Domestic. The Pathfinder project is expected to come online in late 2021.

The supply of water from Cal Domestic is governed by the terms of a Water Production and Delivery Agreement, dated February 2, 2011 (the “**Cal Domestic Agreement**”), by and between Rowland and Cal Domestic. Under the Cal Domestic Agreement, Cal Domestic agreed to supply up to 5,000 acre feet of potable water per year from the Central Basin or the Main San Gabriel Basin at the same prices that Cal Domestic charges its own shareholders, plus an initial payment of \$2,000,000 which was paid in full in 2016. The Main San Gabriel Basin is an adjudicated groundwater basin in the eastern portion of the County north of the District’s service area. The Cal Domestic Agreement has a stated term through December 31, 2040 but will be renewed automatically for five-year periods thereafter unless either party wishes to terminate the arrangement. Under the Cal Domestic Agreement, the District and Rowland are each entitled to up to 2,500 acre feet of water per year; however, Cal Domestic’s obligation to satisfy District water requests is subject to Cal Domestic’s prior obligation to supply water to its own shareholders and is therefore limited to surplus water that is not purchased by Cal Domestic’s shareholders in a given year.

The water supplied under the Cal Domestic Agreement consists of: (i) groundwater from the Central Basin pursuant to the Agency’s rights therein; and (ii) imported MWD water that was previously purchased by the District and Rowland and stored in the Main San Gabriel Basin under the terms of a Storage and Export Agreement, dated July 1, 2015 (as amended on September 2, 2020, the “**Storage Agreement**”), between the Agency and the Main San Gabriel Basin Watermaster. Under the Storage Agreement, the District and Rowland can store a total of up to 30,000 acre feet of imported surface water in the Main San Gabriel Basin; currently, approximately 21,391 acre feet is stored. The project has produced an average of approximately 1,500 acre feet of potable water per year.

The costs of purchasing water and maintaining the water supply infrastructure under the Cal Domestic Agreement are shared equally by the District and Rowland and constitute Operation and Maintenance Costs of the Water System.

*Six Basins Supply.* In 2018, in an effort to increase potable water supply reliability and manage future imported water supply costs, the District and Rowland began construction of the Six Basins Supply Project, under which the District and Rowland will take delivery of water supplied by from two wells in Six Basins, a group of adjacent adjudicated groundwater basins that are located south of the San Gabriel Mountains in the eastern portion of the County and western San Bernardino County. The project consists of the rehabilitation and reactivation of the Old Baldy Well, which had become contaminated with nitrates and which is owned by the City of La Verne, and the construction of the replacement Durward Well, which was owned by Golden State Water Company, in addition to the construction of approximately 4,000 feet of 12-inch to 20-inch diameter pipeline to connect the water produced from such wells to the Joint Water Line (as discussed under the subcaption “—General”), bypass structures, flow control valves and Supervisory Control and Data Acquisition system components at each facility. The water supply infrastructure is owned by the Agency. The Six Basins Supply Project has received State grant funding in the amount of \$2,980,102 and is expected to be completed by mid-2022. The Six Basins Supply Project will be governed by contracts that extend through 2038, with four 5-year extensions that will apply automatically unless any party wishes to terminate its participation.

The operation of the two wells is expected to supply up to 1,856 acre feet of potable water per year which will be shared equally between the District and Rowland and blended with MWD supplies that are imported through the Joint Water Line. The water supplied from the two wells is either owned by the Agency or leased from the well owners.

The costs of purchasing water and maintaining the water supply infrastructure for the Six Basin supplies will be shared equally by the District and Rowland and constitute Operation and Maintenance Costs of the Water System.

### ***Recycled Water.***

*Recycled Water Purchases.* The District supplies non-potable recycled water to nursery, school, golf course, park, greenbelt, landscape maintenance and other customers for irrigation purposes. The District's primary source of recycled water supplies is treated wastewater from CSDLAC's Pomona WRP. Pursuant to a contract between the District and CSDLAC, the District may purchase up to 3,360 acre feet of recycled water per year. The availability of recycled water is dependent upon wastewater flow into the Pomona WRP, which varies seasonally and with precipitation levels. The District's agreement with CSDLAC was executed on November 14, 2007 and has a term of 25 years from the date of execution. The District has a one-time option to extend the contract for an additional 25-year term. CSDLAC's charges to the District include the cost of water and an annual capacity charge. For 2020, the cost of water delivered was \$135.31 per acre foot and the annual capacity charge was \$80,573.

CSDLAC is a public agency which consists of 24 independent special districts that collectively serve approximately 5.6 million people in an 850-square mile service area within the County. CSDLAC operates a regional wastewater collection system which includes approximately 1,400 miles of sewers, 48 pumping plants and 11 wastewater treatment plants that transport and treat approximately half of the wastewater that is generated in the County. CSDLAC treats approximately 400 million gallons of water per day (not all of which is treated to recycled water standards) and is the largest producer of recycled water in the United States.

CSDLAC's Pomona WRP is a tertiary wastewater treatment facility with a design capacity of 15 million gallons of wastewater per day. It serves a population of approximately 130,000 people and currently produces approximately 8 million gallons of recycled water per day.

The costs of purchasing recycled water from CSDLAC and maintaining the water supply infrastructure that is necessary to deliver such water to District customers constitute Operation and Maintenance Costs of the Water System.

CSDLAC faces various challenges in the continued supply of recycled water to the District. A description of the supply challenges faced by CSDLAC, as well as a variety of other operating information with respect to CSDLAC, is included in certain disclosure documents prepared by CSDLAC. CSDLAC has disseminated publicly available documents and has entered into continuing disclosure undertakings pursuant to which CSDLAC is contractually obligated for the benefit of owners of certain of its outstanding obligations to file annual reports, notices of certain enumerated events as defined under Rule 15c2-12 and annual audited financial statements (the "**CSDLAC Information**") with EMMA. None of the CSDLAC Information is incorporated into this Official Statement by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. CSDLAC HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2021 BONDS TO PROVIDE CSDLAC INFORMATION TO THE DISTRICT OR THE OWNERS OF THE 2021 BONDS.

CSDLAC HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS NOT MADE ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION THAT IS CONTAINED OR INCORPORATED HEREIN, INCLUDING

INFORMATION WITH REGARD TO CSDLAC. CSDLAC IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE 2021 BONDS UNDER RULE 15c2-12.

*Supplemental Recycled Water.* As described above under the subcaption “—Recycled Water Purchases,” the availability of recycled water from CSDLAC can vary depending upon the flow of wastewater into the Pomona WRP. In an effort to ensure a reliable supply of recycled water for District customers, the District has the ability to supplement recycled water purchases from CSDLAC with locally produced groundwater from District-owned wells in the Puente Basin and the Spadra Basin.

The District operates four wells in the Puente Basin and one well in the Spadra Basin. The District’s wells have an average depth of 130 feet and the District can pump up to a total of 498,816 gallons per day (559 acre feet per year) from its wells. As discussed under the caption “—Water Quality—General,” water produced from the District’s wells is not suitable for domestic consumption without extensive treatment. However, such water can be blended with recycled water that the District purchases from CSDLAC and sold to the District’s recycled water customers for irrigation purposes.

The Puente Basin is an adjudicated groundwater basin that is administered by a 3-person watermaster on which the District has one representative. The operating safe yield of the Puente Basin has been determined to be 2,506 acre feet per year, with the District entitled to pump up to 550 acre feet per year before consideration of any carryover water or import return flow credits, which on average represents approximately 26% of the annual demand of the District’s recycled water customers.

The Spadra Basin is unadjudicated, although it is subject to the provisions of Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or “SGMA”), a legislative effort to regulate groundwater on a Statewide basis which was enacted on September 16, 2014. Pursuant to SGMA, DWR designated groundwater basins in the State as high, medium, low or very low priority for purposes of groundwater management. Local groundwater producers were required 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 (a “GSP”) for DWR’s approval by January 31, 2022.

GSAs must consider the interests of all groundwater users in a basin and may require registration of groundwater users, the installation of flow meters to measure groundwater extractions and annual reporting of extractions up to an amount specified in the GSP. In addition, GSAs are authorized to impose spacing requirements on new wells, monitor, regulate and limit or condition groundwater production and establish production allocations among groundwater producers, among other powers. GSAs are authorized to impose fees to fund such activities and to fine or issue cease and desist orders against producers that violate the GSA’s regulations. GSPs must include sustainability goals and a plan to implement such goals within 20 years.

Although the Spadra Basin has been designated as a low priority groundwater basin by DWR under SGMA, the District and the City of Pomona, which are the major producers of groundwater from the Spadra Basin, have established the Spadra Basin Groundwater Sustainability Agency (the “**Spadra Basin GSA**”) to manage the Spadra Basin, and DWR has recognized the Spadra Basin GSA as the GSA for the Spadra Basin. The Spadra Basin GSA is currently developing a GSP for the Spadra Basin and expects to submit the GSP for approval by January 31, 2022 in accordance with the deadline that is set forth in SGMA. The Spadra Basin GSA has received grant funding from DWR’s Proposition 1 Sustainable Groundwater Management Grant Program in the amount of \$338,500 to prepare a GSP.

The District does not currently expect its groundwater extraction rights or costs in the Spadra Basin to change significantly as a result of the enactment of SGMA because the combined extractions of all rights holders in the Spadra Basin are less than what the District expects the GSP to establish as a safe yield for the



Spadra Basin, and because the District pumps groundwater from only one well in the Spadra Basin for the sole purpose of supplementing its recycled water supplies.

### ***Drought Declarations.***

*State Orders.* On January 17, 2014, the Governor declared a drought state of emergency (the “**Declaration**”) with immediate effect. The Declaration included an order encouraging local urban water suppliers, including the District, to implement their local water shortage contingency plans; the District’s plan is discussed under the caption “—District Response to Drought.” On April 7, 2017, after significant improvement in water supply conditions across California, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most California counties (including the County).

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower DWR and the State of California Water Resources Control Board to adopt long-term standards for the following: (i) indoor residential water use; (ii) outdoor residential water use; (iii) commercial, industrial and institutional water use for landscape irrigation; and (iv) water loss. The indoor water use standard has been defined as 55 gallons per person per day (“**GPCD**”) until January 2025; the standard will decrease over time to 50 GPCD in January 2030. Standards for outdoor residential water use, commercial, industrial and institutional water use for landscape irrigation are still being developed. Urban water suppliers will be required to stay within annual water budgets, based on these standards, for their service areas.

The District is unable to predict the effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation but believes that it will be able to meet the 55 GPCD standard for indoor water use based on the District’s current water demands and ongoing efforts to encourage conservation, as described below under the subcaption “—District Response to Drought.” The District also has a tiered rate structure for residential customers that further promotes water use efficiency by charging a higher rate for water use in excess of maximum amounts within each tier. See the caption “—Water System Rates and Charges—Current Rates and Charges.”

On April 21, 2021, the Governor directed State agencies to take immediate action to bolster drought resilience and prepare for impacts on communities, businesses and ecosystems should dry conditions which have existed since 2019 continue. In addition, on July 8, 2021, the Governor declared a drought state of emergency in 50 counties in northern and central California (not including the County) and requested that all water users voluntarily reduce water use by 15%. There can be no assurance that subsequent declarations will not extend to the District’s service area should dry conditions persist in 2021 or future years.

*District Response to Drought.* District rules and regulations include several measures that are designed to promote efficient use of water on an everyday basis. The District also has a plan to manage water supplies during periods of water supply shortage. Under the District’s Water Shortage Contingency Plan (the “**WSCP**”), the District has established six water shortage levels ranging from 10% to 50%, that are designed to mitigate a supply shortage by reducing demand. Implementation of each stage of the WSCP is undertaken upon a determination of the Board. The stages are described below.

Stage 1 (Water Supply Shortage) of the WSCP calls for up to a 10% reduction in potable water use. Watering or irrigating of lawn, landscape or other vegetated area with potable water will be limited to a maximum number of days per week, to be determined by the Board, or as modified by the General Manager, based on the District’s then existing water supply conditions. All leaks, breaks or other malfunctions in the water user’s plumbing or distribution system must be repaired within five days after written notification by the District unless other arrangements are made by the District. The District is currently implementing Stage 1 of the WSCP.

Stage 2 (Water Supply Shortage) of the WSCP calls for up to a 20% reduction in potable water use. In addition to Stage 1 restrictions, watering or irrigating of lawn, landscape, or other vegetated area with potable water will be limited to a maximum of three days per week on a schedule established and posted by the District. The re-filling of water constituting more than one foot of depth and initial filling of residential swimming pools or outdoor spas with potable water is prohibited. All leaks, breaks, or other malfunctions in the water user's plumbing or distribution system must be repaired within 72 hours after written notification by the District unless other arrangements are made by the District.

Stage 3 (Water Supply Shortage) of the WSCP calls for up to a 30% reduction in potable water. In addition to Stage 2 restrictions, filling or re-filling ornamental lakes or ponds is prohibited except to the extent needed to sustain aquatic life. All leaks, breaks or other malfunctions in the water user's plumbing or distribution system must be repaired within 48 hours after written notification by the District unless other arrangements are made by the District.

Stage 4 (Water Supply Shortage) of the WSCP calls for up to a 40% reduction in potable water use. In addition, to Stage 3 restrictions, watering or irrigating of lawn, landscape or other vegetated area with potable water will be limited to a maximum of two days per week on a schedule established and posted by the District.

Stage 5 (Water Supply Shortage) of the WSCP calls for up to a 50% reduction in potable water use. In addition, to Stage 4 restrictions, watering or irrigating of lawn, landscape or other vegetated area with potable water is limited to a maximum of one day per week on a schedule established and posted by the District.

Stage 6 (Water Supply Shortage) of the WSCP calls for a reduction in potable water greater than 50%. In addition, to Stage 5 restrictions, additional restrictions may be implemented as determined by the District, after notice to customers.

In conjunction with the determination to implement a given stage of the WSCP, the Board is also authorized to impose drought rate surcharges on potable water commodity charges to discourage excess potable water consumption during times of water shortage. Such surcharges are detailed under the caption "—Water System Rates and Charges—Current Rates and Charges."

The WSCP empowers the District to levy financial penalties against customers that fail to comply with water use restrictions and to install a flow restrictor for customers that do not comply despite repeated notices from the District.

Implementation of additional stages of the WSCP in the future may result in lower water sales revenues; however, such measures are also expected to result in lower operating costs, in particular imported water costs. The projected operating results that are set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage" reflect the continued implementation of Stage 1 of the WSCP through Fiscal Year 2026. The District does not believe that the implementation of additional stages of the WSCP will have a material adverse effect on its ability to generate sufficient Net Revenues to pay the 2021 Bonds when due.

If a water shortage should arise, legal issues exist as to whether different California Water Code provisions should be invoked to require reasonable regulations for the allocation of water in time of shortage, with statutory provisions prioritizing the use of water for domestic water use. Any curtailment that is accompanied by an increase in water supply costs could necessitate an increase in the District's water rates. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

## Wholesale Deliveries

Suburban Water Systems, Golden State Water Company and Valencia Heights Water Company (collectively, the “**Wholesale Suppliers**”), which are privately owned water companies that serve retail customers in the southeast portion of the County, receive a portion of their water supplies through the District’s Water System. The amount of water that is delivered through the District’s Water System is subject to request by the Wholesale Suppliers and varies from year to year depending on hydrological conditions and such companies’ ability to access other supply sources to which they have entitlements. Both Suburban Water Systems and Golden State Water Company have water allocations from TVMWD and maintain their own groundwater wells.

The Wholesale Suppliers pay the District for water that is delivered through the District’s Water System at cost. The District does not budget for or receive significant Net Revenues from such deliveries, with the revenues that are received being largely proportional to the District’s costs of making such deliveries. Similarly, the District does not acquire additional supplies to serve the Wholesale Suppliers, with the water delivered consisting of supplies that the Wholesale Suppliers have acquired on their own. For the foregoing reasons, many of the Water System operations tables that are set forth herein exclude deliveries to the Wholesale Suppliers and the revenues therefrom.

## Water Quality

*General.* Although the District operates groundwater wells and holds groundwater extraction rights in the Puente Basin and Spadra Basin (as discussed under the caption “—Water Supply—Recycled Water—Supplemental Recycled Water”), the Puente Basin and Spadra Basin are contaminated with volatile organic compounds, including perchlorate, trichloroethylene and tetrachloroethylene, total dissolved solids and nitrates in amounts that exceed maximum contaminant levels. As a result, water extracted from the Puente Basin and Spadra Basin is not suitable for consumption without extensive treatment. The western portion of the Puente Basin lies within a Superfund site known as the Puente Valley Operable Unit and is being remediated under a process that is led by the United States Environmental Protection Agency. The costs of such remediation are being borne by the United States and private defense contractors the prior operations of which were found to have caused the contamination. The District is not liable for such costs.

It is anticipated that water pumped from the Puente Basin and Spadra Basin will continue to be used solely to supplement recycled water purchases in the future. The District does not expect that remediation of the Puente Basin or Spadra Basin will result in the ability to extract potable water from such groundwater basins for many decades, nor does the District expect to construct treatment facilities that would treat groundwater from the Puente Basin or the Spadra Basin to potable water standards.

Imported water that is purchased from MWD meets all applicable drinking water standards, while imported water that is purchased under the Water Production Agreement and the Cal Domestic Agreement or extracted from the Six Basins wells is subject to minimal treatment (primarily the infusion of chlorine and ammonia).

Recycled water that is purchased from CSDLAC meets the requirements for tertiary treated water under Title 22 of California Code of Regulations and is suitable for outdoor irrigation.

*PFAS.* In 2019, the State of California Water Resources Control Board’s Division of Drinking Water (the “**Division**”) lowered the Notification Levels (the “**NLs**”) for Perfluorooctanoic acid (“**PFOA**”) and Perfluorooctanesulfonic acid (“**PFOS**”) to 5.1 and 6.5 parts per trillion (“**PPT**”), respectively. NLs are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. In 2020, the Division lowered the Response Level (the “**RL**”) for PFOA and PFOS from 70 PPT, combined, to 10 and 40 PPT, respectively. RLs are non-

regulatory, precautionary health-based measures that are set at higher levels than NLs and represent thresholds at which the Division recommends that water utilities remove a water source from use or treat it.

PFOA and PFOS are fluorinated organic chemicals which are part of a family of synthetic compounds that are known as per- and polyfluoroalkyl substances (“PFAS”). PFAS are water and lipid resistant substances that are useful for a variety of manufacturing processes and industrial applications. They are often present in water supplies which are impacted by wastewater treatment plant effluent or active or former military installations.

Evidence suggests that PFAS have been in groundwater basins in the County in very low concentrations for many years. Recent technological advances enable water agencies to detect PFAS compounds at very low concentrations. To date, the District has not tested its wells for PFAS because the District does not provide water that is extracted from the District’s wells to customers for domestic consumption; instead, the District purchases imported potable water supplies from sources that do not contain PFAS, including the Colorado River and northern California watersheds. The District understands that groundwater in the Central Basin and Main San Gabriel Basin has been determined to contain PFAS, while PFAS has not been detected in groundwater in the Six Basins. As discussed under the caption “—Water Supply—Potable Water—Regional Water Supply Reliability Program,” the District is not currently taking delivery of water from the Central Basin. Cal Domestic currently blends the water that it produces from the Main San Gabriel Basin in order to reduce PFAS concentrations to levels that are below the applicable regulatory thresholds prior to delivery to the District. The District also understands that Cal Domestic will be installing PFAS treatment facilities in the next 12 to 18 months. The District’s goal is to ensure that all drinking water which is served to customers does not contain PFAS in amounts which are above the NLs, which are lower than the RLs. Any groundwater that the District obtains from local basins in which PFAS is present will be treated and/or blended with other sources.

The District does not anticipate that implementation of the lower RLs will have a material adverse effect on the operation of the Water System or on the operating costs thereof. The projected operating results which are set forth under the caption “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results” do not assume significant increases in water treatment or Water System operating costs to meet State regulations relating to PFAS.

### Historical Water Supply

Set forth below is a summary of the District’s sources of water supply for the last five Fiscal Years. Water which is delivered through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers’ own entitlements is excluded from the table. See the caption “—Wholesale Deliveries.”

#### WALNUT VALLEY WATER DISTRICT HISTORICAL WATER SUPPLY IN ACRE FEET PER YEAR

<i>Fiscal Year</i>	<i>Wells (Recycled)<sup>(1)</sup></i>	<i>Imported (Recycled)<sup>(1)</sup></i>	<i>Imported (MWD)<sup>(2)</sup></i>	<i>Imported (TVMWD)<sup>(3)</sup></i>	<i>Projects<sup>(4)</sup></i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2017	926	1,259	14,902	1,863	432	19,382	N/A%
2018	1,357	1,201	16,080	1,503	902	21,043	8.57
2019	960	937	13,101	2,434	741	18,173	(13.63) <sup>(5)</sup>
2020	722	1,251	14,250	1,824	556	18,603	2.37
2021 <sup>(6)</sup>	1,039	1,270	13,908	3,230	486	19,933	7.15

(1) Non-potable.

(2) Reflects water that is processed at MWD’s Weymouth Treatment Plant. Excludes water delivered to the Wholesale Suppliers. See the caption “—Wholesale Deliveries.”

(3) Reflects water that is processed at TVMWD’s Miramar Treatment Plant.

(4) Reflects aggregate amount of water purchased under the RWSR Program and Cal Domestic Agreement and from Six Basins well extractions. See the caption “—Water Supply—Potable Water.”

- (5) Decrease reflects wet hydrological conditions.  
 (6) Projected based on available information to date. Subject to change.  
 Source: District.

### Historical Water System Service Connections

The following table shows the number of connections to the Water System and water use by customer type for Fiscal Year 2021, based on available information to date.

#### WALNUT VALLEY WATER DISTRICT NUMBER OF UNITS SERVED AND WATER USE BY CATEGORY AS OF JUNE 30, 2021

<i>Customer Category</i> <sup>(1)</sup>	<i>Number of Connections</i>	<i>Percentage of Total Connections</i>	<i>Water Sales in Acre Feet</i>	<i>Percentage of Water Sales</i>
Residential	25,477	92.93%	12,527	65.59%
Multi-Family	163	0.59	1,789	9.37
Commercial/Industrial	1,446	5.27	2,682	14.04
Recycled	<u>330</u>	<u>1.20</u>	<u>2,100</u>	<u>11.00</u>
<b>Total</b>	<b>27,416</b>	<b>100.00%</b>	<b>19,098<sup>(2)(3)</sup></b>	<b>100.00%</b>

- (1) Excludes private fire lines, temporary construction meters and District-owned and certain other connections.  
 (2) Based on available information to date. Subject to change. The difference between total Water Sales in Acre Feet and Fiscal Year 2021 water deliveries as shown under the caption “—Historical Water System Deliveries” primarily reflects water loss.  
 (3) Excludes water deliveries through temporary construction meters.  
 Source: District.

The following table shows the number of service connections to the Water System for the last five Fiscal Years.

#### WALNUT VALLEY WATER DISTRICT HISTORICAL WATER SYSTEM SERVICE CONNECTIONS

<i>Fiscal Year</i>	<i>Potable</i> <sup>(1)</sup>	<i>Recycled</i> <sup>(2)</sup>	<i>Total</i>	<i>Increase/(Decrease)</i>
2017	26,874	297	27,171	N/A%
2018	27,028	299	27,327	0.57
2019	27,072	304	27,376	0.18
2020	27,079	332	27,411	0.09
2021 <sup>(3)</sup>	27,086	330	27,416	0.02

- (1) Excludes private fire lines, temporary construction meters and District connections.  
 (2) Non-potable. Excludes District connections.  
 (3) Active service connections as of March 31, 2021.  
 Source: District.

## Historical Water System Deliveries

The following table shows historical deliveries for the Water System for the last five Fiscal Years. Differences between historical water deliveries set forth below and historical water supply set forth under the caption “—Historical Water Supply” reflect water loss and the District’s use of water for internal purposes.

Water which is delivered through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers’ own entitlements is excluded from the table. See the caption “—Wholesale Deliveries.”

### WALNUT VALLEY WATER DISTRICT HISTORICAL WATER SYSTEM DELIVERIES IN ACRE FEET PER YEAR

<i>Fiscal Year</i>	<i>Potable<sup>(1)</sup></i>	<i>Recycled</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2017	15,930	2,011	17,941	N/A%
2018	17,272	2,327	19,599	9.24
2019	15,464	1,784	17,248	(12.00) <sup>(2)</sup>
2020	15,767	1,921	17,688	2.55
2021	16,998	2,100	19,098	7.97

<sup>(1)</sup> Excludes District consumption, temporary construction meters and deliveries to Wholesale Suppliers. See the caption “—Wholesale Deliveries.”

<sup>(2)</sup> Decrease reflects wet hydrological year.

Source: District.

Historical water deliveries reflect the number of connections to the Water System as well as water demand, which is affected by weather conditions, economic conditions and other factors.

## Historical Water System Sales Revenues

The following table shows Water System sales revenues for the last five Fiscal Years. Revenues from hydroelectric sales, standby charges and deliveries through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers’ own entitlements are all excluded from the table. See the caption “—Wholesale Deliveries.”

### WALNUT VALLEY WATER DISTRICT HISTORICAL WATER SYSTEM SALES REVENUES

<i>Fiscal Year</i>	<i>Potable</i>	<i>Recycled</i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2017	\$30,763,726	\$1,609,661	\$32,373,386	N/A%
2018	33,635,775	1,926,283	35,562,058	9.85
2019	32,212,411	1,634,443	33,846,854	(4.82) <sup>(2)</sup>
2020	33,571,951	1,816,820	35,388,771	4.56
2021 <sup>(1)</sup>	36,583,947	2,106,054	38,690,001	9.33

<sup>(1)</sup> Unaudited. Projected based on available information to date. Subject to change.

<sup>(2)</sup> Decrease reflects wet hydrological year.

Source: District.

Water System service charges and sales revenues reflect water deliveries described under the caption “—Historical Water System Deliveries” as well as rates and charges described under the caption “—Water System Rates and Charges.”

## Largest Water System Customers

The following table shows the ten largest retail customers of the Water System for Fiscal Year 2021 (through April 30, 2021), as determined by annual payments. Revenues from deliveries to the Wholesale Suppliers pursuant to the Wholesale Suppliers' own entitlements are excluded from the table. See the caption "—Wholesale Deliveries."

### WALNUT VALLEY WATER DISTRICT LARGEST WATER SYSTEM CUSTOMERS

<i>Customer</i>	<i>Type of Business</i>	<i>Annual Payments<sup>(1)</sup></i>	<i>Percent of Total Revenues<sup>(1)</sup></i>
1. City of Diamond Bar	Government	\$509,623	1.15%
2. City Of Walnut	Government	442,785	1.00
3. Montefino HOA	Homeowner's Association	369,616	0.83
4. Walnut Unified School District	Government	327,968	0.74
5. City of Industry	Government	237,476	0.53
6. Pomona Unified School District	Government	236,375	0.53
7. American Golf Corp	Golf Course	228,721	0.51
8. Diamond Bar Tennis Club HOA	Homeowner's Association	204,613	0.46
9. Diamond Hills Ranch HOA	Homeowner's Association	103,464	0.23
10. Rowland Unified School District	Government	<u>99,171</u>	<u>0.22</u>
<b>Total</b>		<b><u>\$2,759,812</u></b>	<b>6.20%</b>

<sup>(1)</sup> Reflects amounts through April 30, 2021.  
Source: District.

Based on revenues received through April 30, 2021, these customers accounted for approximately 6.20% of total Revenues of \$44,432,999 (based on unaudited actual results) in Fiscal Year 2021.

## Water System Rates and Charges

**General.** District rates and charges for water service are set by the Board and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The District is, however, required to comply with the notice, hearing and majority protest provisions of Article XIII D of the State Constitution, which is popularly known as Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for further information with respect to Proposition 218.

The District annually determines the adequacy of the charge structure for water service in the service area after full consideration of expected operations, maintenance, capital costs and capital repayment obligations of the Water System. The Board sets water rates and charges at a level that it determines is sufficient to pay all Operation and Maintenance Costs of the Water System, to make debt service payments and to maintain appropriate reserves for the Water System.

The District has covenanted to fix and prescribe rates, fees and charges for the Water Service which are reasonably expected to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 125% of the Debt Service for such Fiscal Year. See the caption "SECURITY FOR THE 2021 BONDS—Rate Covenant."

***Current Rates and Charges.*** The District has five water rate groups, each of which is described below.

- Potable water retail rates apply to water that is suitable for domestic consumption. Potable water retail rates consist of two components: (i) a monthly base rate meter charge which is determined based on water meter size; and (ii) a commodity charge that is based on the amount of water used.
- Fire protection rates apply to connections for private fire protection systems. These rates are separate from commodity charges for water used. The rates differ depending upon the type of fire hydrant: (i) Type One hydrants are on private property and connect directly to the Water System, with the District having an easement; (ii) Type Two hydrants are installed downstream of detector checks and vary depending upon the size of the detector check; there is no charge for the use of water through these hydrants for fire suppression or testing; and (iii) Type Three hydrants connect to the Water System by means of a fire meter; there is no separate charge for these hydrants, and any water used is billed at the Potable water retail commodity rate.
- Recycled water rates apply to water that is suitable for outdoor irrigation. Recycled water rates consist of two components: (i) a monthly base rate which is determined based on hydrant meter size; and (ii) a use charge that is based on the amount of water used.
- Construction rates apply to water that is used for construction purposes pursuant to a District permit. Construction water rates consist of the following components: (i) a monthly base rate which is determined based on water meter size; and (ii) a commodity charge that is based on the amount of water used.
- Miscellaneous rates enable the District to recover costs associated with late payments, disconnections or damage to the Water System. See the caption “—Collection Procedures.”

In addition, the District levies charges to recover pumping costs for customers at higher elevations.

In 2018, the District retained Raftelis, Inc. to conduct a potable and recycled water rate study to propose appropriate water rates for the District for calendar years 2020 through 2024. On January 23, 2020, after notice and a public hearing in accordance with Proposition 218, the Board adopted water rate increases for the second half of Fiscal Year 2020 through Fiscal Year 2024.

The projected water revenues that are set forth under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” assume rate increases of approximately 5% per annum in Fiscal Years 2025 and 2026 that have not yet been adopted. All rate increases are subject to Board approval as well as the notice, public hearing and protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board will adopt rate increases as currently projected herein. There can also be no assurance that the Board will not repeal or modify any adopted rate increases in the future or that the District’s ratepayers will not approve an initiative to repeal or modify any increase in water service rates and charges approved by the Board.

Adopted water rates and charges are set forth below.



**WALNUT VALLEY WATER DISTRICT  
POTABLE AND RECYCLED WATER MONTHLY METER CHARGES**

<i>Meter Size</i>	<i>Fiscal Year 2022</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>
5/8" and 3/4"	\$ 22.80	\$ 23.94	\$ 25.14
1"	35.95	37.75	39.64
1.5"	68.83	72.28	75.90
2"	108.27	113.69	119.38
3"	213.50	224.18	235.39
4"	331.86	348.46	365.89
6"	660.65	693.69	728.38
8"	1,055.20	1,107.96	1,163.36

Source: District.

**WALNUT VALLEY WATER DISTRICT  
WATER COMMODITY CHARGES**

<i>Customer Class</i>	<i>Fiscal Year 2022</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>
Residential			
Tier I (0-9 Units) <sup>(1)</sup>	\$3.25	\$3.42	\$3.60
Tier II (10-40 Units) <sup>(1)</sup>	4.34	4.56	4.79
Tier III (41+ Units) <sup>(1)</sup>	4.99	5.24	5.51
Multi-Family	3.71	3.90	4.10
Non-Residential	3.93	4.13	4.34
Recycled	2.07	2.18	2.29

<sup>(1)</sup> A unit is equivalent to 100 cubic feet of water, or approximately 748 gallons.  
Source: District.

**WALNUT VALLEY WATER DISTRICT  
PUMP ZONE CHARGES<sup>(1)</sup>**

<i>Zone</i>	<i>Fiscal Year 2022</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>
Zone 1	\$0.00	\$0.00	\$0.00
Zone 2	0.28	0.30	0.32
Zone 3	0.50	0.53	0.56

<sup>(1)</sup> Pump Zone charges are levied per unit of water delivered.  
Source: District.

As discussed under the caption “—Water Supply—Drought Declarations—District Response to Drought,” the Board is authorized to impose drought rate surcharges on potable water commodity charges (which are detailed above) to discourage excess potable water consumption during times of water shortage. Such surcharges, which are expressed as a percentage of the potable water commodity charge, are set forth below.

**WALNUT VALLEY WATER DISTRICT  
DROUGHT RATE SURCHARGES**

<i>Customer Class</i>	<i>Stage 1 (15% Reduction)</i>	<i>Stage 2 (25% Reduction)</i>	<i>Stage 3 (35% Reduction)</i>	<i>Stage 4 (50% Reduction)</i>
<i>Residential</i>				
Tier I (0-9 Units) <sup>(1)</sup>	0%	0%	0%	0%
Tier II (10-40 Units) <sup>(1)</sup>	5	11	22	51
Tier III (41+ Units) <sup>(1)</sup>	29	57	77	120
<i>Multi-Family</i>	3	6	8	11
<i>Non-Residential</i>	3	6	9	12

<sup>(1)</sup> A unit is equivalent to 100 cubic feet of water, or approximately 748 gallons.  
Source: District.

**Connection Fees.** See the caption “THE DISTRICT—Other Land-Based Charges” for a description of charges that are imposed on new Water System customers.

**Rate Comparison.** The table below sets forth a comparison of the Water System’s typical monthly water bill for a single family residential user to those of certain nearby water purveyors as of January 1, 2021:

<i>Service Provider</i>	<i>Monthly Charge<sup>(1)</sup></i>
Golden State Water Company (City of San Dimas; City of Claremont) <sup>(2)</sup>	\$ 120.08
Mesa Consolidated Water District	115.89
City of Glendora (zone average)	112.12
Fontana Water Company (City of Fontana) <sup>(2)</sup>	109.97
City of Chino Hills (zone average)	107.37
<b>Walnut Valley Water District</b>	<b>97.17</b>
City of Upland	91.90
Suburban Water Systems (City of West Covina) <sup>(2)</sup>	91.77
City of Pomona	90.76
City of LaVerne (zone average)	87.23
Monte Vista Water District (budget based)	86.47
City of Chino (budget based)	83.13
Yorba Linda Water District	82.32
Cucamonga Valley Water District	74.30

<sup>(1)</sup> Reflects usage of approximately 21 units per month for a single family residential user with a 3/4” connection. A unit is equivalent to 100 cubic feet of water, or approximately 748 gallons.

<sup>(2)</sup> Private water company; not a public agency.  
Source: District.

**Collection Procedures**

The District is on a monthly billing cycle and the following collection procedures relate to the District’s residential customers. Payment is due upon receipt of the District’s bill and is considered delinquent if not paid by the 60th day after that date. If payment is not received by the 20th day following the invoice date, a 10% late penalty is charged. If payment is not received by the 45th day following the invoice date, an overdue notice is mailed. Delinquent accounts are subject to disconnection after 60 days, with a 7-business day disconnection notice being provided to the customer. Accounts that have been shut off may be reconnected upon payment in full of outstanding balances and penalties and a reconnection fee of \$27, with higher fees for multiple reconnections or requests for a reconnection after business hours, as well as administrative fees. Disconnected customers are also obligated to make a security deposit in an amount that is

equal to three times the average water bill. As of May 31, 2021, approximately 8.7% of outstanding accounts receivable were more than 60 days delinquent, including customers who have entered into payment arrangements. Such delinquencies are in the total amount of approximately \$158,300, which is approximately \$83,193 more than the total delinquent amount in February 2020, prior to the COVID-19 outbreak.

See the caption “THE DISTRICT—COVID-19 Outbreak” for a discussion of the suspension of water shutoffs through September 30, 2021. The suspension will prevent the District from shutting off delinquent accounts as described in the preceding paragraph, but no water service charges are being forgiven. The District will also grant extended payment arrangements for customers that apply for such relief. Considering the potential impacts of the pandemic, District anticipates increasing its allowance for the write-off of uncollectible accounts per year by \$81,000 for Fiscal Year 2021, representing approximately 0.2% of budgeted operating revenues.

### Future Water System Improvements

The District projects total capital improvements to the Water System of approximately \$20,201,186 in the next five Fiscal Years (excluding certain carryover projects from the prior Fiscal Years). Such capital improvements are expected to be financed by a combination of reserves, Revenues remaining after the payment of debt service on District obligations and grants. The District does not currently anticipate issuing additional Bonds or entering into additional Contracts to finance such capital improvements.

### Projected Water Supply

Set forth below is a summary of the District’s projected sources of water supply for the current and next four Fiscal Years. Water deliveries through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers’ own entitlements are not projected in the table. See the caption “—Wholesale Deliveries.”

#### WALNUT VALLEY WATER DISTRICT PROJECTED WATER SUPPLY IN ACRE FEET PER YEAR

<i>Fiscal Year</i>	<i>Wells (Recycled)<sup>(1)</sup></i>	<i>Imported (Recycled)<sup>(1)</sup></i>	<i>Imported (MWD)<sup>(2)</sup></i>	<i>Imported (TVMWD)<sup>(3)</sup></i>	<i>Projects<sup>(4)</sup></i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2022	952	1,163	13,343	1,994	1,875	19,327	(3.04)% <sup>(5)</sup>
2023	952	1,163	12,256	1,831	3,125	19,327	0.00
2024	952	1,163	12,256	1,831	3,125	19,327	0.00
2025	952	1,163	12,256	1,831	3,125	19,327	0.00
2026	952	1,163	12,256	1,831	3,125	19,327	0.00

<sup>(1)</sup> Non-potable.

<sup>(2)</sup> Reflects water that is processed at MWD’s Weymouth Treatment Plant. Excludes water delivered to the Wholesale Suppliers. See the caption “—Wholesale Deliveries.”

<sup>(3)</sup> Reflects water that is processed at TVMWD’s Miramar Treatment Plant.

<sup>(4)</sup> Reflects aggregate amount of water purchased under the RWSR Program and Cal Domestic Agreement and from Six Basins well extractions. Increases beginning in the Fiscal Year 2022 reflect completion of the Pathfinder project. See the caption “—Water Supply—Potable Water—Cal Domestic Supply.”

<sup>(5)</sup> Decrease from Fiscal Year 2021 reflects adjustments in projected water sales accounting, including budgeted water loss.

Source: District.

### Projected Water System Service Connections

The following table shows the projected number of connections to the Water System for the current and next four Fiscal Years.

**WALNUT VALLEY WATER DISTRICT  
PROJECTED WATER SYSTEM SERVICE CONNECTIONS**

<i>Fiscal Year</i>	<i>Potable<sup>(1)</sup></i>	<i>Recycled<sup>(2)</sup></i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2022	27,086	330	27,416	0.00%
2023	27,086	330	27,416	0.00
2024	27,086	330	27,416	0.00
2025	27,086	330	27,416	0.00
2026	27,086	330	27,416	0.00

<sup>(1)</sup> Excludes private fire lines, temporary construction meters and District-owned and certain other connections.

<sup>(2)</sup> Non-potable.

Source: District.

**Projected Water System Deliveries**

The following table shows projected deliveries for the Water System for the current and next four Fiscal Years. Differences between projected water deliveries set forth below and projected water supply set forth under the caption “—Projected Water Supply” reflect projected water loss and the District’s projected use of water for other internal purposes.

Water deliveries through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers’ own entitlements are not projected in the table. See the caption “—Wholesale Deliveries.”

**WALNUT VALLEY WATER DISTRICT  
PROJECTED WATER SYSTEM DELIVERIES IN ACRE FEET PER YEAR**

<i>Fiscal Year</i>	<i>Potable<sup>(1)</sup></i>	<i>Recycled</i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2022	16,189	2,020	18,209	(4.65)% <sup>(2)</sup>
2023	16,189	2,020	18,209	0.00
2024	16,189	2,020	18,209	0.00
2025	16,189	2,020	18,209	0.00
2026	16,189	2,020	18,209	0.00

<sup>(1)</sup> Excludes projected District consumption, temporary construction meters and deliveries to Wholesale Suppliers. See the caption “—Wholesale Deliveries.”

<sup>(2)</sup> Decrease reflects adjustments in projected water sales accounting, including budgeted water loss, as well as expectations of continued conservation by District customers.

Source: District.

Projected water deliveries reflect projected connections to the Water System as well as projected water demand, which is affected by weather conditions, economic conditions and other factors. See the caption “—Projected Water System Service Connections.”

**Projected Water System Sales Revenues**

The following table shows projected Water System service charges and revenues from water sales for the current and next four Fiscal Years. Revenues from hydroelectric sales, standby charges and deliveries through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers’ own entitlements are not projected in the table. See the caption “—Wholesale Deliveries.”

**WALNUT VALLEY WATER DISTRICT  
PROJECTED WATER SYSTEM SALES REVENUES**

<i>Fiscal Year</i>	<i>Potable</i>	<i>Recycled</i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2022	\$36,756,758	\$2,083,214	\$38,839,972	0.39%
2023	38,964,905	2,192,753	41,157,658	5.97
2024	41,444,200	2,308,598	43,752,797	6.31
2025	43,543,617	2,425,022	45,968,639	5.06
2026	45,735,998	2,550,898	48,286,896	5.04

Source: District.

Projected Water System sales revenues reflect projected water deliveries that are described under the caption “—Projected Water System Deliveries,” adopted rate increases through calendar year 2024 and projected rate increases of approximately 5% per annum in Fiscal Years 2025 and 2026. See the caption “—Water System Rates and Charges.” The projected rate increases in Fiscal Years 2025 and 2026 are subject to the notice, public hearing and protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board will adopt such rate increase as currently projected.

**WATER SYSTEM FINANCIAL INFORMATION**

**Financial Statements**

A copy of the most recent audited financial statements of the District (the “**Financial Statements**”) for the Fiscal Year ended June 30, 2020, prepared by Fedak & Brown LLP, Cypress, California (the “**Auditor**”), are included as Appendix A to this Official Statement. The Auditor’s letter dated January 19, 2021 is set forth therein. The Financial Statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit analysis of the financial condition of the District, nor has the Auditor reviewed or audited this Official Statement.

The summary operating results that are contained under the caption “—Historical Water System Operating Results and Debt Service Coverage” are derived from the Financial Statements and the District’s audited financial statements for prior years (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed or audited the summary operating results or any other portion of this Official Statement.

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the District (“**GAAP**”). Under GAAP, revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of when the related cash flow takes place. In certain cases, this means that GAAP requires or permits moneys that are collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses that are paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. See Appendix A. GAAP also requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Except as otherwise expressly noted herein, all financial information that has been derived from the District’s audited financial statements reflects the application of GAAP.

The District reports its activities as an enterprise fund. This means that the District utilizes the economic resources measurement focus and accounts for its operations in a manner that is similar to a private-sector business.

Operating revenues, such as charges for services (water sales and water services) result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses of the Water System generally result from providing services in connection with the distribution and transmission of potable water to users. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

### **Investment of District Funds**

The District invests its funds in accordance with the District's Investment Policy, which was most recently updated on August 17, 2020 in accordance with Section 53600 *et seq.* of the State Government Code. Idle cash management and investment transactions are the responsibility of the Assistant General Manager/Director of Finance. The Investment Policy sets forth the policies and procedures applicable to the investment of District funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of insuring the safety of invested funds by limiting credit and interest rate risks. Eligible investments must have maximum maturities of five years or less and include: (i) United States Treasury obligations; (ii) Federal agency obligations; (iii) notes or bonds of any state or local agency; (iv) medium-term notes (limited to a maximum of 30% of the portfolio); (v) negotiable certificates of deposit (limited to a maximum of 30% of the portfolio) and non-negotiable certificates of deposit (limited to a maximum of 30% of the portfolio and maximum one-year maturities); (vi) commercial paper (limited to 25% of the portfolio and maximum 270-day maturities); (vii) bankers' acceptances (limited to 40% of the portfolio and maximum 180-day maturities); (viii) the State of California Local Agency Investment Fund; (ix) money market mutual funds (limited to 20% of the portfolio); (xiii) repurchase agreements (limited to maximum one-year maturities); and (xiv) reverse repurchase agreements (limited to 20% of the portfolio and maximum 92-day maturities).

Funds are invested in the following order of priority:

- Safety of Principal
- Liquidity
- Return on Investment

As of May 31, 2021, the District maintained approximately \$30,280,290 in unrestricted cash and investments, which is equivalent to approximately 294 days' Operation and Maintenance Costs. See the caption "—District Reserves—Unrestricted Reserves" for a discussion of unrestricted District reserves.

A summary of the District's investments as of May 31, 2021 is set forth in the below table.

**WALNUT VALLEY WATER DISTRICT  
SUMMARY OF INVESTMENTS AS OF MAY 31, 2021**

***Held by the District***

Money Market Mutual Fund	\$ 28,453
U.S. Government-Sponsored Agency Securities	13,975,000
U.S. Treasury Notes	9,765,000
Corporate Notes	8,000,000
Supranational Obligations	2,100,000
Local Agency Investment Fund	6,349,318
Certificates of Deposit	<u>743,000</u>
Subtotal	<u>\$ 40,960,771</u>

***Held by Trustee***

Money Market Mutual Fund	\$ 1,087,854
Local Agency Investment Fund	<u>1,240,911</u>
Subtotal	<u>2,328,765</u>
<b>Total</b>	<u><u>\$ 43,289,536</u></u>

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Source: District.

The Accounting Manager provides a monthly report to the Board showing the types of investment, dates of maturity, amounts invested, current market values, rates of interest and other such information as may be required by the Board. See Note 2 to the Financial Statements set forth in Appendix A for further information with respect to the District’s investment policies.

**District Reserves**

The District has established various designated reserves to be used for emergency purposes, to fund new and replacement capital projects and to fund obligations accruing on a current basis that will be paid in the future. The District’s reserve policy (the “**Reserve Policy**”) sets forth the reserve balances that should be maintained and the appropriate use of amounts in the reserve funds. Reserves maintained by the District are as follows:

***Unrestricted Reserves.***

*Capital Improvement Reserve.* The District maintains a Capital Improvement Reserve for the purpose of funding the acquisition and construction of new capital assets. The Capital Improvement Reserve is established for all new capital items or projects with a cost of \$5,000 or more and a useful life of 5 years or greater, and shall be maintained with a minimum balance equal to the estimated cost of all capital improvement projects, for the year, approved by the Board through the regular budget process. The Capital Improvement Reserve will not exceed the total estimated costs of all capital projects outlined in the District’s multi-year Capital Improvement Plan. The balance of the Capital Improvement Reserve was \$974,393 as of May 31, 2021, which satisfies the minimum funding level established in the Reserve Policy.

*Employee Liabilities Reserve.* The District maintains an Employee Liabilities Reserve to cover employees’ accrued sick and vacation time and funding for other post-employment benefits (as discussed under the caption “THE DISTRICT—Employee Relations—Other Post-Employment Benefits”). For funds related to accrued sick and vacation time, the Employee Liabilities Reserve is adjusted at the end of each Fiscal Year to equal 100% of the accrued liability. The sick liability represents 75% of the accrued sick hours. The vacation liability represents 100% of the accrued vacation hours. The balance in the Employee Liabilities Reserve was \$2,146,936 as of May 31, 2021, which satisfies the minimum funding level established in the Reserve Policy.

*Reserve for Replacement.* The District maintains a Reserve for Replacement, moneys in which may be used for funding the replacement or refurbishment of existing capital assets, including the District's buildings. The Reserve for Replacement is established for all replacement items with a cost of \$5,000 or more and a useful life of 5 years or greater. It is the intent of the District to maintain a balance sufficient to fund the immediate and long-term replacement costs of the District's assets. Reserve levels are based on the District's 20-year Asset Replacement and Refurbishment Plan (the "AR&R Plan"). The minimum funding level shall be equal to five years of replacement funding with a maximum reserve goal equal to ten years of funding as detailed in the AR&R Plan. The balance in the Reserve for Replacement was \$15,926,433 as of May 31, 2021, which satisfies the minimum requirements established by the Reserve Policy.

*Badillo/Grand Catastrophic Insurance Reserve.* The Badillo/Grand Catastrophic Insurance Reserve was established for the purpose of self-insurance retention, whereby any funds paid out for the repair or replacement of the Badillo/Grand Transmission Line (as discussed under the caption "—Water Supply—Potable Water—General"), that were either not covered or were denied by the insurance carrier could be reimbursed. The balance in the Badillo Grand Catastrophic Insurance Reserve was \$500,000 as of May 31, 2021.

*Operating Reserve.* The Operating Reserve was established to ensure that the District has sufficient funds to provide essential services in instances where normal cash flows are interrupted. The funds may be used for operating expenses, capital expenditures, or other purposes as authorized by the Board. The minimum funding balance will be equal to two months of operating expenses, excluding purchased water costs and debt obligations. The balance in the Operating Reserve was \$2,496,760 as of May 31, 2021, which satisfies the minimum requirements established by the Reserve Policy.

*Stored Water Reserve.* The District maintains a Stored Water Reserve for purposes of accumulating funds to purchase untreated imported water necessary to operate the Cal Domestic water supply project. See the caption "THE WATER SYSTEM—Water Supply—Potable Water—Cal Domestic Supply." The balance in the Stored Water Reserve was \$763,900 as of May 31, 2021.

*Rate Stabilization Reserve.* The District established the Rate Stabilization Reserve to provide flexibility to the Board when setting water rates to allow for absorbing fluctuations in water demand, to pay for water supplies or to pay for other costs that would otherwise be collected as part of the District' water rates. In addition, in accordance with the provisions of the Indenture, moneys from the Rate Stabilization Reserve can be withdrawn and included as an adjustment to the calculation of Net Revenues for purposes of calculating compliance with the District's rate covenant and additional debt test. See the caption "SECURITY FOR THE 2021 BONDS—Rate Stabilization Reserve." The minimum funding level of the Rate Stabilization Reserve is equal to 125% of the District's annual Debt Service, with a maximum level equal to 200% of the annual Debt Service. The balance in the Rate Stabilization Reserve was \$1,543,125 as of May 31, 2021, which satisfies the minimum requirement established by the Reserve Policy.

### ***Restricted Reserves.***

*Acreage Supply Charge Reserve.* Every applicant for water service who has not either individually or through a predecessor in interest paid an Acreage Supply Charge shall pay to the District an Acreage Supply Charge computed at a per-acre rate. See the caption "THE DISTRICT—Other Land-Based Charges—Acreage Supply Charge." Funds collected are deposited into a special fund to be used for construction of water facilities (pipeline) authorized by the Board. The balance in the Acreage Supply Charge Reserve was \$338,322 as of May 31, 2021.

*Reservoir Capacity Fee Reserve.* In order to finance distribution storage facilities to meet system growth, every applicant or developer who installs, modifies or adds on to an existing service must pay a Reservoir Capacity Fee. See the caption "THE DISTRICT—Other Land-Based Charges—Reservoir Capacity Fee." The fees are deposited into a special fund to be utilized for the construction of water facilities (reservoirs



and pump stations) as approved by the Board. The balance in the Reservoir Capacity Fee Reserve was \$2,277,757 as of May 31, 2021.

*Water Supply Charge Reserve.* In order to finance projects to meet new Water System demand, every applicant or developer that installs, modifies or adds to an existing service, or changes the type of land or site use, must pay a Water Supply Charge for each parcel of land that is benefited from such installation, modification, addition or change in land use. See the caption “THE DISTRICT—Other Land-Based Charges—Water Supply Charge.” Such amounts are held in a Water Supply Charge Reserve fund. The balance in the Water Supply Charge Reserve was \$2,475,960 as of May 31, 2021.

*Badillo/Grand Maintenance Reserve.* The Badillo/Grand Maintenance Reserve is restricted by agreement and represents funds collected from water sold through the Badillo/Grand Transmission Line. For every acre foot of water that is sold through the line, \$1 is deposited into the Badillo/Grand Maintenance Reserve to be used for the repair and maintenance of the Badillo/Grand Transmission Line. The balance in the Badillo/Grand Maintenance Reserve was \$299,834 as of May 31, 2021.

*Customer/Developer Deposits Reserve.* The Customer/Developer Deposits Reserve represents the liability of the District associated with deposits received from customers and developers collected in accordance with the District’s Rules and Regulations. The amount in the Customer/Developer Deposits Reserve fluctuates based on deposits received, refunded or expended for Water System improvements. The balance in the Customer/Developer Deposit Reserve was \$8,551,608 as of May 31, 2021.

#### **Historical Water System Operating Results and Debt Service Coverage**

The following table is a summary of operating results of the Water System for the last five Fiscal Years. These results have been derived from the Financial Statements and audited financial statements of the District for prior years, but exclude certain receipts which are not included as Revenues under the Indenture and certain non-cash items and include certain other adjustments.

**WALNUT VALLEY WATER DISTRICT  
HISTORICAL OPERATING RESULTS (FISCAL YEAR ENDED JUNE 30)**

	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021<sup>(6)</sup></i>
<b>Revenues<sup>(1)</sup></b>					
Potable Water Sales	\$ 30,763,726	\$ 33,635,775	\$ 32,212,411	\$ 33,571,951	\$ 36,583,947
Recycled Water Sales	1,609,661	1,926,283	1,634,443	1,816,820	2,106,054
Deliveries to Wholesale Suppliers <sup>(2)</sup>	1,717,089	1,801,667	3,206,218	4,232,996	2,424,791
Hydroelectric Sales	10,534	24,072	22,250	38,892	50,000
Standby Charge	815,294	822,514	837,186	795,775	825,000 <sup>(7)</sup>
Investment Income	466,111	480,547	758,284	760,900	693,718
Property Taxes	985,113	999,707	1,098,378	1,162,465	1,209,019
Other Revenues <sup>(3)</sup>	<u>549,211</u>	<u>568,700</u>	<u>614,821</u>	<u>831,090</u>	<u>540,470</u>
<b>Total Revenues</b>	<b>\$ 36,916,738</b>	<b>\$ 40,259,265</b>	<b>\$ 40,383,991</b>	<b>\$ 43,210,889</b>	<b>\$ 44,432,999</b>
<b>Operation and Maintenance Costs<sup>(4)</sup></b>					
Source of Supply	\$ 19,397,392	\$ 21,505,419	\$ 20,999,925	\$ 23,156,600	\$ 23,042,065
Pumping	1,540,557	1,712,649	1,672,204	1,703,819	1,753,275
Transmission and Distribution	4,598,923	5,280,765	5,339,816	6,118,670	5,951,650
Customer Accounts	2,042,953	2,091,767	1,910,756	2,111,048	1,709,345
General and Administrative	4,918,327	5,165,828	4,892,522	5,535,032	5,332,722
Operating Expenses Capitalized During Construction	(670,492)	(415,196)	(665,464)	(419,445)	(210,586)
OPEB and PERS Cost <sup>(5)</sup>	<u>(250,920)</u>	<u>(1,184,809)</u>	<u>(599,314)</u>	<u>(1,336,879)</u>	<u>-</u>
<b>Total Operation and Maintenance Costs</b>	<b>\$ 31,576,740</b>	<b>\$ 34,156,423</b>	<b>\$ 33,550,445</b>	<b>\$ 36,868,845</b>	<b>\$ 37,578,471</b>
<b>Net Revenues</b>	<b>\$ 5,339,998</b>	<b>\$ 6,102,842</b>	<b>\$ 6,833,546</b>	<b>\$ 6,342,044</b>	<b>\$ 6,854,528</b>
<b>Debt Service</b>					
2013 Bonds	<u>\$ 1,232,750</u>	<u>\$ 1,230,550</u>	<u>\$ 1,232,750</u>	<u>\$ 1,234,500</u>	<u>\$ 1,230,000</u>
<b>Total Debt Service</b>	<b>\$ 1,232,750</b>	<b>\$ 1,230,550</b>	<b>\$ 1,232,750</b>	<b>\$ 1,234,500</b>	<b>\$ 1,230,000</b>
<b>Net Revenues Remaining After Payment of Debt Service</b>	<b>\$ 4,107,248</b>	<b>\$ 4,872,292</b>	<b>\$ 5,600,796</b>	<b>\$ 5,107,544</b>	<b>\$ 5,624,528</b>
<b>Debt Service Coverage</b>	<b>4.33</b>	<b>4.96</b>	<b>5.54</b>	<b>5.14</b>	<b>5.57</b>

(1) May differ from audited financial statements, as Revenues are shown as defined in the Indenture. Excludes restricted funds and capital contributions.

(2) Reflects amounts paid to the District by the Wholesale Suppliers for the delivery of water through the Water System. See the caption "THE WATER SYSTEM—Wholesale Deliveries."

(3) Includes revenues from telecommunications site leases.

(4) Includes costs to the District of delivering water through the Water System at the request of the Wholesale Suppliers. See the caption "THE WATER SYSTEM—Wholesale Deliveries."

(5) Amounts reflect non-cash adjustments related to other post-employment benefit and pension benefit liability. Such amounts are allocated to individual Operation and Maintenance Cost line items above.

(6) Unaudited. Projected based on available information to date. Subject to change.

(7) Differs from amount set forth in the table entitled "Historical Standby Charges and Collections" under the caption "THE DISTRICT—Standby Charges" because the above amount reflects projected collections through June 30, 2021 rather than collections through May 31, 2021 only.

Source: District.

**Projected Water System Operating Results and Debt Service Coverage**

The District's projected operating results for the Water System for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events and a variety of assumptions, including the assumptions set forth in the footnotes to the chart set forth below. All of such assumptions are material in the development of the District's financial projections, and variations in the

assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

**WALNUT VALLEY WATER DISTRICT  
PROJECTED OPERATING RESULTS (FISCAL YEAR ENDING JUNE 30)**

	2022 <sup>(1)</sup>	2023	2024	2025	2026
<b>Revenues</b>					
Potable Water Sales <sup>(2)</sup>	\$ 36,756,758	\$ 38,964,905	\$ 41,444,200	\$ 43,543,617	\$ 45,735,998
Recycled Water Sales <sup>(2)</sup>	2,083,214	2,192,753	2,308,598	2,425,022	2,550,898
Deliveries to Wholesale Suppliers <sup>(3)</sup>	-	-	-	-	-
Hydroelectric Sales <sup>(4)</sup>	40,000	40,000	40,000	40,000	40,000
Standby Charge <sup>(4)</sup>	825,000	825,000	825,000	825,000	825,000
Investment Income <sup>(4)(5)</sup>	225,000	225,000	225,000	225,000	225,000
Property Taxes <sup>(6)</sup>	1,221,109	1,233,320	1,245,653	1,258,110	1,270,691
Other Revenues <sup>(7)</sup>	<u>675,820</u>	<u>684,010</u>	<u>692,445</u>	<u>701,134</u>	<u>710,083</u>
<b>Total Revenues</b>	<b>\$ 41,826,901</b>	<b>\$ 44,164,988</b>	<b>\$ 46,780,896</b>	<b>\$ 49,017,883</b>	<b>\$ 51,357,670</b>
<b>Operation and Maintenance Costs<sup>(8)</sup></b>					
Source of Supply <sup>(9)</sup>	\$ 21,339,967	\$ 22,361,673	\$ 23,504,575	\$ 24,615,266	\$ 25,780,537
Pumping <sup>(10)</sup>	1,813,196	1,876,964	1,943,382	2,012,573	2,084,663
Transmission and Distribution <sup>(11)</sup>	6,009,809	6,310,299	6,625,814	6,957,105	7,304,960
Customer Accounts <sup>(11)</sup>	1,804,945	1,895,192	1,989,952	2,089,449	2,193,922
General and Administrative <sup>(11)</sup>	<u>5,817,881</u>	<u>6,104,650</u>	<u>6,405,675</u>	<u>6,721,667</u>	<u>7,053,373</u>
<b>Total Operation and Maintenance Costs</b>	<b>\$ 36,785,798</b>	<b>\$ 38,548,779</b>	<b>\$ 40,469,398</b>	<b>\$ 42,396,060</b>	<b>\$ 44,417,455</b>
<b>Net Revenues</b>	<b>\$ 5,041,103</b>	<b>\$ 5,616,209</b>	<b>\$ 6,311,497</b>	<b>\$ 6,621,822</b>	<b>\$ 6,940,215</b>
<b>Debt Service</b>					
2013 Bonds <sup>(12)</sup>	\$ 347,250	\$ -	\$ -	\$ -	\$ -
2021 Bonds*	<u>240,158</u>	<u>415,211</u>	<u>1,229,726</u>	<u>1,227,992</u>	<u>1,233,476</u>
<b>Total Debt Service*</b>	<b>\$ 587,408</b>	<b>\$ 415,211</b>	<b>\$ 1,229,726</b>	<b>\$ 1,227,992</b>	<b>\$ 1,233,476</b>
<b>Net Revenues Remaining After Payment of Debt Service*</b>	<b>\$ 4,453,695</b>	<b>\$ 5,200,988</b>	<b>\$ 5,081,771</b>	<b>\$ 5,393,830</b>	<b>\$ 5,706,739</b>
<b>Debt Service Coverage*</b>	<b>8.58</b>	<b>13.53</b>	<b>5.13</b>	<b>5.39</b>	<b>5.63</b>

(1) Reflects Fiscal Year 2022 budgeted amounts with certain adjustments based on the District's most recent financial model. See the caption "THE DISTRICT—Budget Process."

(2) Reflects projected water sales revenues and service charges based on adopted rate increases for Fiscal Years 2022 through 2024 set forth under the caption "THE WATER SYSTEM—Projected Water System Sales Revenues" as well as assumed rate increases for Fiscal Years 2025 and 2026 described under the caption "THE WATER SYSTEM—Water System Rates and Charges" which have not yet been adopted. Such assumed rate increases are subject to the notice, public hearing and protest provisions of Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." There can be no assurance that the Board will adopt such rate increases as currently projected.

(3) See the caption "THE WATER SYSTEM—Wholesale Deliveries."

(4) Projected to remain at Fiscal Year 2022 budgeted amount.

(5) Reflects projected interest earnings of approximately 1.25% per annum on District reserves. Excludes projected interest earnings on restricted funds and projected market value adjustments.

(6) Projected to increase 1% per annum from Fiscal Year 2022 budgeted amount.

(7) Includes projected revenues from telecommunications site leases, which are projected to increase 3% per annum from Fiscal Year 2022 budgeted amount.

(8) Does not reflect any projected costs to the District of delivering water through the Water System at the request of the Wholesale Suppliers. See the caption "THE WATER SYSTEM—Wholesale Deliveries."

(9) Reflects projected increases of 5% per annum in per-acre foot imported water costs.

(10) Projected to increase approximately 3.5% per annum from Fiscal Year 2022 budgeted amount.

(11) Projected to increase approximately 5% per annum.

(12) See the caption "PLAN OF FINANCE" for a discussion of the refunding of these obligations.

Source: District.

\* Preliminary, subject to change.

## CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

### Article XIII A

On June 6, 1978, State voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution. The amendment, which added Article XIII A to the State Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’, or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to December 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after December 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition (55% in the case of certain school facilities). Property taxes that are subject to Proposition 13 are a significant source of Revenues. See the caption “THE DISTRICT—1% *Ad Valorem* Property Tax Revenues.”

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (for new construction, change of ownership or 2% annual value growth) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation the following year. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in certain other limited circumstances.

### Article XIII B

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority, special district or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (a) the financial responsibility for a service is transferred to another public entity or to a private entity; (b) the financial source for the provision of services is transferred from taxes to other revenues; or (c) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations that are subject to Article XIII B generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (i) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost

reasonably borne by the entity in providing the service or regulation); and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts that are permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness that were existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters, and payments that are required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The District is of the opinion that its charges for Water Service do not exceed the costs that it reasonably bears in providing such service and therefore are not subject to the limits of Article XIII B. See the caption "SECURITY FOR THE 2021 BONDS—Rate Covenant" for a description of the District's covenant to set rates and charges for the Water Service.

### **Proposition 218**

**General.** An initiative measure entitled the "Right to Vote on Taxes Act" (the "**Initiative**") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIII C and XIII D to the State Constitution. According to the "Title and Summary" of the Initiative prepared by the State Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

**Article XIII D.** Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIII D further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency which imposes or increases any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, because fees for water service are a "fee" or "charge" as defined in Article XIII D, the local government's ability to increase such fees or charges may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations that are applicable to existing fees and charges, including provisions to the effect that: (a) revenues that are derived from the fee or charge may not exceed the funds which are required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge that is imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; and (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIII D did not apply to charges for water and wastewater services that are "primarily based on the amount consumed" (i.e., metered water or wastewater rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme

Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “**Bighorn Case**”), however, that fees for ongoing water service through an existing connection were property-related fees and charges and thus were subject to the Initiative. The Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The District complies with the notice, hearing and protest procedures in Article XIIIID, as further explained by the State Supreme Court in the *Bighorn Case*, with respect to its water rate increases.

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (the “**SJC Case**”) upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion included a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District’s current rate structure includes tiered rates based on usage. The District has reviewed the *SJC Case* decision and does not expect the decision to affect its rate structure. The District believes that its current water rates comply with the requirements of Proposition 218 because the differentials among its tiers are cost-based. The District expects that any future water rate increases will comply with Proposition 218’s procedural and substantive requirements to the extent applicable thereto.

**Article XIIIIC.** Article XIIIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIIIID referred to above are applicable to Article XIIIIC. Moreover, the provisions of Article XIIIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn Case* that the provisions of Article XIIIIC (specifically, the initiative power) applied to rates and fees charged for domestic water use. In the decision, however, the Court did not determine whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsmuir*, 9 Cal.5th 1105 (2020) holding that taxpayers do not have the right under Proposition 218 to challenge water rates by referendum. Based on other legal authorities, the District does not believe that Article XIIIIC grants to the voters within the District the power (whether by initiative under Article XIIIIC or otherwise, or by referendum, which is not authorized under Article XIIIIC) to repeal or reduce rates and charges for the Water Service in a manner that would interfere with the contractual obligations of the District or the obligation of the District to maintain and operate the Water System. However, there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the 2021 Bonds. Remedies that are available to Beneficial Owners of the 2021 Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the 2021 Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the 2021 Bonds and the rights and remedies of the 2021 Bond Owners will be exercised through the procedures of DTC.

## **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) 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; (b) 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; (c) a charge imposed for the reasonable regulatory costs to a local

government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 applies to charges imposed or increased after November 2, 2010 and provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District believes that its water rates and charges meet the exception that is described in clause (g) above and therefore that those rates and charges are not taxes under Proposition 26.

### **Future Initiatives**

Articles XIII B, XIII C and XIII D and Proposition 26 were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the District's revenues or ability to increase revenues.

### **CERTAIN RISKS TO BONDHOLDERS**

*The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2021 Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2021 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the 2021 Bonds.*

### **Limited Obligations**

The obligation of the District to pay the 2021 Bonds is a limited obligation of the District and is not secured by a legal or equitable pledge or charge or lien upon any property of the District or any of its income or receipts, except the Revenues. The obligation of the District to pay the 2021 Bonds does not constitute an obligation for which the general credit or taxing power of the District is pledged.

### **Accuracy of Assumptions**

To estimate the revenues that will be available to pay debt service on the 2021 Bonds, the District has made certain assumptions with regard to the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The District believes these assumptions to be reasonable, but to the extent that any of these assumptions fail to materialize, the Net Revenues available to pay debt service on the 2021 Bonds will, in all likelihood, be less than those projected herein. See the caption "WATER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage." The District may choose, however, to maintain compliance with the rate covenant that is set forth in the Indenture by means of contributions from the Rate Stabilization Reserve or other available reserves or resources. In such event, Net Revenues may generate amounts which are less than 125% of Debt Service in any given Fiscal Year. See the captions "SECURITY FOR THE 2021 BONDS—Rate Stabilization Reserve" and "SECURITY FOR THE 2021 BONDS—Rate Covenant."

## **System Demand**

There can be no assurance that the demand for Water Service will occur as described in this Official Statement. Reductions in demand could require an increase in rates or charges in order to comply with the rate covenant. Demand for water services could be reduced as a result of hydrological conditions, conservation efforts (including in response to drought), an economic downturn (including as a result of the COVID-19 outbreak that is discussed under the caption “THE DISTRICT—COVID-19 Outbreak”) or other factors. See the caption “THE WATER SYSTEM—Water System Rates and Charges” and “—Accuracy of Assumptions.”

## **System Expenses**

There can be no assurance that the District’s expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with labor costs (including costs related to pension liabilities and the costs of retaining qualified personnel with the proper certifications to operate Water System treatment and other facilities), treatment costs, energy costs, regulatory compliance costs, increased costs to access groundwater due to land subsidence or falling water tables, increased imported water purchase costs and other factors. Increases in expenses could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE 2021 BONDS—Rate Covenant.” Rate increases are subject to the provisions of Proposition 218 and there can be no assurance that the District will be able to increase rates as needed to address increases in Water System expenses. See the caption “—Rate-Setting Process under Proposition 218.”

## **Limited Recourse on Default**

If the District defaults on its obligation to pay the principal of and interest on the 2021 Bonds, the Trustee has the right to declare the total unpaid principal of the 2021 Bonds, together with the accrued interest thereon to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the District will have sufficient funds to pay the accelerated amounts due on the 2021 Bonds from Net Revenues.

## **Rate-Setting Process under Proposition 218**

Proposition 218, which added Articles XIII C and XIII D to the State Constitution, affects the District’s ability to maintain existing rates and impose rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the District might thereafter be unable to generate Net Revenues in the amounts required by the Indenture to pay the 2021 Bonds. The District believes that its current water rates approved by the Board were effected in compliance with the notice, public hearing and majority protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

## **Statutory and Regulatory Compliance**

Laws and regulations governing the treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Water System or from other legally available sources. In addition to claims by private parties, changes in the standards for public agency water systems such as that operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders could also impose substantial additional costs on the District.



No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the District to generate Net Revenues in amounts that are sufficient to pay the 2021 Bonds.

### **Natural Disasters**

The occurrence of any natural disaster in the District, including, without limitation, fire, earthquake, landslide, land subsidence, high winds, drought or flood, could have an adverse material impact on the economy within the District, the Water System and the revenues available for the payment of the 2021 Bonds. Portions of the Water System may be at risk of damage or destruction from unpredictable seismic activity. The District is not required to maintain earthquake insurance under the Indenture, and, although it currently maintains limited earthquake insurance, it may discontinue such coverage at any time. See the caption “THE DISTRICT—District Insurance.”

The occurrence of natural disasters in the District’s service area could result in substantial damage to the Water System which, in turn, could substantially reduce revenue generated by the Water System and affect the ability of the District to pay the 2021 Bonds. The District maintains liability insurance for the Water System and property casualty insurance for certain portions of the Water System. However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Furthermore, as described under the caption “THE DISTRICT—District Insurance,” significant portions of the Water System, including subsurface pipelines, are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters would result in uninsured losses to the District.

### **Limitations on Remedies**

The ability of the District to comply with its covenants under the Indenture and to generate Net Revenues in amounts that are sufficient to pay principal of and interest on the 2021 Bonds may be adversely affected by actions and events outside of the control of the District or actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” Furthermore, the remedies available to the owners of the 2021 Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. In the event that the District fails to comply with its covenants under the Indenture or fails to pay principal of and interest on the 2021 Bonds, there can be no assurance as to the availability of remedies adequate to protect the interests of the holders of the 2021 Bonds.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State. The opinion to be delivered by Bond Counsel concurrently with the issuance of the 2021 Bonds will be subject to such limitations, and the various other legal opinions to be delivered concurrently with the issuance of the 2021 Bonds will be similarly qualified. See Appendix C.

In addition, usual equity principles may limit the specific enforcement under State law of certain remedies, as may 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 and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state

government, if initiated, could subject the owners of the 2021 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. Remedies may be limited because the Water System serves an essential public purpose.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the 2021 Bonds or, if a secondary market exists, that the 2021 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Parity Obligations**

The Indenture permits the District to enter into additional Contracts and issue additional Bonds which are payable from Net Revenues on a parity with the 2021 Bonds, subject to the terms and conditions set forth therein. The entry into of additional Contracts or the issuance of additional Bonds could result in reduced Net Revenues available to pay the 2021 Bonds. The District has covenanted to maintain Debt Service coverage of 125%, as further described under the caption “SECURITY FOR THE 2021 BONDS—Additional Indebtedness.”

### **Climate Change**

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the District is difficult to predict, but it could be significant and it could have a material adverse effect on the Water System’s finances by requiring greater expenditures to counteract the effects of climate change or by changing the business and activities of Water System customers.

### **Rate Covenant Not a Guarantee**

The 2021 Bonds are payable from Net Revenues of the Water System. See the caption “SECURITY FOR THE 2021 BONDS.” The District’s ability to pay debt service on the 2021 Bonds depends on its ability to generate Net Revenues at the levels required by the Indenture. Although the District has covenanted in the Indenture to impose rates and charges as more particularly described under the caption “SECURITY FOR THE 2021 BONDS—Rate Covenant,” and although the District expects that sufficient Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in amounts that are sufficient to pay the 2021 Bonds. Among other matters, the availability of and demand for water and changes in law and government regulations could adversely affect the amount of Revenues realized by the District.

## **APPROVAL OF LEGAL PROCEEDINGS**

The valid, legal and binding nature of the 2021 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each 2021 Bond. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by the District’s General Counsel, Lagerlof LLP, for the Underwriter by its counsel, Kutak Rock LLP, and for the Trustee by its counsel.

## LITIGATION

### General

At the time of delivery of and payment for the 2021 Bonds, the District will certify substantially to the effect that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2021 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2021 Bonds, the Indenture, or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the 2021 Bonds or any action of the District contemplated by any of said documents, nor to the knowledge of the District, is there any basis therefor.

### Water Rate Litigation

On February 19, 2020, a class action complaint and petition for writ of mandate (collectively, the “**Water Rate Complaint**”) was filed in the matter of *Kessner et al. v. City of Santa Clara et al. in the Superior Court of California, County of Santa Clara* (the “**Superior Court**”), on behalf of 81 customer classes (collectively “**Plaintiffs**”), challenging the rates of 82 public water suppliers, including the District. The Water Rate Complaint alleges that the named defendants and respondents (collectively “**Defendants**”) unlawfully set water rates for retail customers that exceed the cost of service, in violation of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for a discussion of Proposition 218.

Plaintiffs are challenging Defendants’ retail water rates on two grounds: (1) the retail water rates allegedly subsidize water service provided for general governmental purposes, including “subsidized public fire hydrant service;” and (2) certain specified agencies (*not* including the District) allegedly have lower rates for agriculture or irrigation service, which are unlawfully subsidized by higher rates for domestic water.

The District was served with the Water Rate Complaint in March 2020. On March 9, 2020, the Superior Court issued an Order deeming the case complex and staying discovery and responsive pleading deadlines. Pursuant to the March 9, 2020 Order, the parties may not file or serve responsive pleadings until later orders of the court.

Plaintiffs filed a Petition to Coordinate the Water Rate Complaint with other Proposition 218 cases against water agencies in California. On October 19, 2020, the Superior Court denied the Petition. The Superior Court held Case Management Conferences on December 3, 2020 and April 15, 2021, has ordered a preliminary set of briefing on issues of venue, jurisdiction and joinder and has ordered the parties to meet and confer while keeping the discovery stay in place. A hearing on issues of venue, jurisdiction and joinder was held on May 20, 2021 and, by order dated May 26, 2021, Plaintiffs were ordered to file an amended complaint within 30 days of that order. Defendants may then file motions challenging the amended complaint. Another Case Management Conference is scheduled for August 26, 2021, and the hearings on the defendants’ further challenging motions will likely be heard in late September to mid-October 2021.

The District is unable to predict the outcome of this litigation or the timing of any resolution thereof. However, the District believes that its water rates were adopted in compliance with Proposition 218 and does not currently expect the Water Rate Complaint to have a material adverse effect on its ability to pay the 2021 Bonds.

The District notes that, in fall 2020, the Governor signed Senate Bill 1386 (“**SB 1386**”), which adds provisions to the California Government Code establishing that the costs of water service chargeable to property owners properly include the cost of infrastructure, e.g., fire hydrants, that provide fire protection for nearby property. Although SB 1386 is a legislative statute and does not directly affect Proposition 218 or other State Constitutional provisions, the signing of SB 1386 into law may assist the District’s defense of the Water Rate Complaint.

## **TAX MATTERS**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2021 Bonds is exempt from State of California personal income tax and is *not* excluded from gross income for federal income tax purposes under Section 103 of Internal Revenue Code of 1986, as amended (the “**Code**”).

With certain exceptions, the difference between the issue price of a 2021 Bond (the first price at which a substantial amount of the 2021 Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a 2021 Bond will increase the Beneficial Owner’s basis in the 2021 Bond. Beneficial Owners of the 2021 Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the 2021 Bonds.

The amount by which a Beneficial Owner’s original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Beneficial Owner of a 2021 Bond may elect to amortize under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner’s basis in the applicable Bond (and the amount of taxable interest received with respect to the 2021 Bonds), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a 2021 Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2021 Bond to the Beneficial Owner. The Beneficial Owners of the 2021 Bonds that have a basis in the 2021 Bonds that is greater than the principal amount of the 2021 Bonds should consult their own tax advisors with respect to whether or not they should elect such premium under Section 171 of the Code.

In the event of a legal defeasance of the 2021 Bonds, such Bonds might be treated as retired and “reissued” for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Bond Owner generally equal to the difference between the amount deemed realized from the deemed prepayment and reissuance and the 2021 Bond Owner’s adjusted tax basis in such Bond.

The tax discussion set forth above is included for general information only and may not be applicable depending upon a 2021 Bond Owner’s particular situation. The ownership and disposal of the 2021 Bonds and the accrual or receipt of interest on the 2021 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. **BEFORE PURCHASING ANY OF THE 2021 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE 2021 BONDS AND THE TAXPAYER’S PARTICULAR CIRCUMSTANCES.**

A copy of the proposed form of opinion of Bond Counsel with respect to the 2021 Bonds is set forth in Appendix C.

## RATING

The District expects that S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), will assign the 2021 Bonds the rating of "[ ]". Future events, including the impacts of the COVID-19 pandemic that is described under the caption "THE DISTRICT—COVID-19 Outbreak," could have an adverse impact on the rating of the 2021 Bonds, and there is no assurance that any credit rating that is given to the 2021 Bonds will be maintained for any period of time or that the rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such qualification, downgrade, lowering or withdrawal of the rating may have an adverse effect on the market price of the 2021 Bonds. The rating reflects only the views of S&P (which views and criteria could change at any time), and an explanation of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it (which may include information and material from the District that is not included in this Official Statement) and on investigations, studies and assumptions of its own.

The District has covenanted in a Continuing Disclosure Certificate to file notices of any rating changes on the 2021 Bonds with EMMA. See the caption "CONTINUING DISCLOSURE" and Appendix E. Notwithstanding such covenant, information relating to rating changes on the 2021 Bonds may be publicly available from the rating agencies prior to the time that such information is provided to the District and prior to the date by which the District is obligated to file a notice of rating change. Purchasers of the 2021 Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current ratings with respect to the 2021 Bonds after the initial issuance of the 2021 Bonds.

In providing a rating on the 2021 Bonds, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the Indenture. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

## MUNICIPAL ADVISOR

The District has retained Urban Futures, Inc. as municipal advisor (the "**Municipal Advisor**") in connection with the issuance of the 2021 Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

## UNDERWRITING

The 2021 Bonds will be purchased by Wells Fargo Bank, National Association (the "**Underwriter**"), pursuant to a purchase contract, dated the date hereof (the "**Purchase Contract**"), by and between the District and the Underwriter. Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the 2021 Bonds for an aggregate purchase price of \$\_\_\_\_\_ (representing the principal amount of the 2021 Bonds, less an Underwriter's discount of \$\_\_\_\_\_). The Purchase Contract provides that the Underwriter will purchase all of the 2021 Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2021 Bonds to certain dealers (including dealers depositing 2021 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including the Underwriter, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of the Underwriter, registered with the Securities and Exchange Commission as a securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

### **CONTINUING DISCLOSURE**

The District has covenanted in a Continuing Disclosure Certificate, dated the date of issuance of the 2021 Bonds, for the benefit of the holders and Beneficial Owners of the 2021 Bonds to provide certain financial information and operating data relating to the District by not later than each April 1 following the end of the District's Fiscal Year (currently its Fiscal Year ends on June 30) (the "**Annual Report**"), commencing on April 1, 2022 with the report for the Fiscal Year ended June 30, 2021, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with EMMA, which is maintained on the Internet at <http://emma.msrb.org/>. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth in Appendix E. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (the "**Rule**").

[DISCLOSURE REGARDING CONTINUING DISCLOSURE COMPLIANCE TO COME].

In order to ensure compliance with its continuing disclosure obligations going forward, the District has adopted a debt management policy which includes provisions relating to continuing disclosure. The District has also engaged Applied Best Practices, LLC, to assist in the preparation and filing of continuing disclosure reports.

### **FINANCIAL INTERESTS**

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel and counsel to the Underwriter are contingent upon the issuance and delivery of the 2021 Bonds.

### **MISCELLANEOUS**

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2021 Bonds.

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

**WALNUT VALLEY WATER DISTRICT**

By: \_\_\_\_\_  
General Manager

**APPENDIX A**  
**FINANCIAL STATEMENTS**

## **APPENDIX B**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

*The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.*

[TO COME FROM BOND COUNSEL]



## APPENDIX C

### FORM OF OPINION OF BOND COUNSEL

*Upon issuance of the 2021 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

August \_\_, 2021

Walnut Valley Water District  
Walnut, California

*Re: Walnut Valley Water District Water Revenue Refunding Bonds, Series 2021A (Federally Taxable)*

Members of the Board of Directors:

We have examined a certified copy of the record of the proceedings of the Walnut Valley Water District (the “District”) relative to the issuance of the \$\_\_\_\_\_ Walnut Valley Water District Water Revenue Refunding Bonds, Series 2021A (Federally Taxable) (the “2021 Bonds”), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchaser of the 2021 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2021 Bonds are being issued pursuant to an Indenture of Trust, dated as of August 1, 2021 (the “Indenture”), by and between the District and U.S. Bank National Association, as trustee (the “Trustee”). The 2021 Bonds mature on the dates and in the amounts referenced in the Indenture. The 2021 Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2021 Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the District show lawful authority for the issuance and sale of the 2021 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the District. Assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2021 Bonds and the Indenture are valid and binding obligations of the District enforceable against the District in accordance with their terms.

2. The Indenture creates a valid pledge of and lien and charge upon the Revenues and certain amounts held under the Indenture to secure the payment of the principal of and interest on the 2021 Bonds. The obligation of the District to make the payments of principal of and interest on the 2021 Bonds from Net Revenues (as such term is defined in the Indenture) is an enforceable obligation of the District and does not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limit or restriction.

3. Interest on the 2021 Bonds is exempt from State of California personal income tax.

The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any

person, whether any such actions or events are taken or do occur. Our engagement ends as of the date of issuance of the 2021 Bonds. The Indenture permits certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2021 Bonds.

The opinions that are expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters which are not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2021 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2021 Bonds or other offering material relating to the 2021 Bonds and expressly disclaim any duty to advise the owners of the 2021 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

## APPENDIX D

### INFORMATION CONCERNING DTC

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2021 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2021 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2021 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2021 Bonds. The 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2021 Bond will be issued for each annual maturity of the 2021 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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

Purchases of 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2021 Bonds, except in the event that use of the book-entry system for the 2021 Bonds is discontinued.

To facilitate subsequent transfers, all 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2021 Bonds documents. For example, Beneficial Owners of 2021 Bonds may wish to ascertain that the nominee holding the 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2021 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, 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, the Trustee or the District, 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 the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2021 Bond Owner shall give notice to elect to have its 2021 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2021 Bond by causing the Direct Participant to transfer the Participant's interest in the 2021 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2021 Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2021 Bond are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2021 Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2021 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2021 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2021 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2021 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

*Upon issuance of the 2021 Bonds, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:*

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Walnut Valley Water District (the “District”) in connection with the issuance of its \$\_\_\_\_\_ Water Revenue Refunding Bonds, Series 2021A (Federally Taxable) (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of August 1, 2021 (the “Indenture”), by and between U.S. Bank National Association, as trustee, and the District. The District covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

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

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

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Financial Obligation. The term “Financial Obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement dated August \_\_, 2021 relating to the Bonds.

Participating Underwriter. The term “Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The District shall provide not later than each April 1 following the end of its Fiscal Year (commencing April 1, 2022 with the report for Fiscal Year 2021) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the District for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Disclosure Report and audited financial statements will be provided when and if available; and

(b) To the extent not contained in the audited financial statements, updated financial information and operating data relating to the District for the last completed Fiscal Year of the type contained in the Official Statement under the following captions:

1. THE WATER SYSTEM—Historical Water Supply;
2. THE WATER SYSTEM—Historical Water System Service Connections (excluding the first table under such caption);
3. THE WATER SYSTEM—Historical Water System Deliveries;
4. THE WATER SYSTEM—Historical Water System Sales Revenues;
5. THE WATER SYSTEM—Largest Water System Customers; and
6. WATER SYSTEM FINANCIAL INFORMATION—Historical Water System Operating Results and Debt Service Coverage.

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 have been submitted to EMMA; provided, that if any document included by reference is a final Official Statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person; and
10. default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

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

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond Holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
7. appointment of a successor or additional trustee or the change of the name of a trustee; and
8. incurrence of a Financial Obligation of the District or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

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

8. 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, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

9. 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 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 notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% in aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, 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.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: August \_\_, 2021

WALNUT VALLEY WATER DISTRICT

By: \_\_\_\_\_  
Its: General Manager



\$ \_\_\_\_\_  
**WALNUT VALLEY WATER DISTRICT  
WATER REVENUE REFUNDING BONDS  
SERIES 2021A (FEDERALLY TAXABLE)**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2021

Walnut Valley Water District  
271 South Brea Canyon Road  
Walnut, California 91789

Ladies and Gentlemen:

The undersigned (the “**Underwriter**”) hereby offers to enter into this Bond Purchase Agreement (the “**Purchase Agreement**”) with you, the Walnut Valley Water District (the “**District**”), for the purchase by the Underwriter and the delivery by the District of the Bonds specified below. The proceeds of the Bonds will be used to: (i) refund all of the outstanding Puente Basin Water Agency Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project) (the “**Refunded Bonds**”); and (ii) pay costs of issuance of the 2021 Bonds. This offer is subject to your acceptance prior to 11:59 p.m., Los Angeles time, on the date hereof and if not so accepted will be subject to withdrawal by the Underwriter upon written notice delivered to the District at any time prior to the acceptance thereof by the District. Upon such acceptance, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter. All terms not defined herein shall have the meanings set forth in the Indenture and Official Statement (each as defined below).

The District acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s length commercial transaction among the District and the Underwriter in which the Underwriter is acting solely as a principal and not as an agent of the District and the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the District; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated by the Purchase Agreement and the discussions, undertakings or procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter, have provided other services or are currently providing other services to the District on other matters); (iii) the only obligations the Underwriter has to the District with respect to the transaction contemplated by this Purchase Agreement are expressly set forth in this Purchase Agreement; and (iv) the District has consulted its own financial and/or municipal legal, accounting, tax and other advisors, as applicable, to the extent the District has deemed appropriate. The District acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “**MSRB**”).

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter hereby agrees to purchase from the District for offering to the public, and the District hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of the Walnut Valley Water District Water Revenue

Refunding Bonds, Series 2021A (Federally Taxable) (the “**Bonds**”) at a price of \$\_\_\_\_\_, being the principal amount of the Bonds, less an Underwriter’s discount of \$\_\_\_\_\_.

The Bonds shall mature in the amounts and on the dates, and bear interest at the rates, set forth in Exhibit A hereto.

The Bonds shall be as described in and shall be secured under and pursuant to an Indenture of Trust, dated as of September 1, 2021 (the “**Indenture**”) between the District and [The Bank of New York Mellon Trust Company, N.A.], as trustee (the “**Trustee**”), substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the District, the Trustee and the Underwriter.

The obligation of the District to pay the principal of and interest on the Bonds is a special obligation of the District, payable solely from Net Revenues (as defined in the applicable Indenture) of the District’s water system (the “**Water System**”) and certain other amounts held under the Indenture. The principal of and interest on the Bonds are not required to be paid from any other funds of the District, including any proceeds of any taxes, and the Bonds do not constitute a debt or pledge of the faith and credit of the District or the State of California (the “**State**”) or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The District hereby ratifies the use by the Underwriter of the Preliminary Official Statement, dated \_\_\_\_\_, 2021 relating to the Bonds (together with the cover page and all appendices thereto, and any supplements thereof, the “**Preliminary Official Statement**”), and authorizes the Underwriter to use and distribute the Preliminary Official Statement, the Official Statement (as defined below), the Indenture, the Continuing Disclosure Certificate as required by Securities and Exchange Commission Rule 15c2-12, as amended (“**Rule 15c2-12**”), and substantially in the form attached as an appendix to the Official Statement (the “**Continuing Disclosure Certificate**”), the Escrow Agreement (2013 Bonds), dated as of September 1, 2021 (the “**Escrow Agreement**”), by and among the District, the Puente Basin Water Agency and [U.S. Bank National Association], as escrow agent (the “**Escrow Agent**”) and this Purchase Agreement, and all information contained therein, and all other documents, certificates and statements furnished by the District to the Underwriter in connection with the offer and sale of the Bonds by the Underwriter. The District has heretofore “deemed final” the Preliminary Official Statement within the meaning of Rule 15c2-12.

The District will undertake pursuant to the Continuing Disclosure Certificate to provide certain annual financial and operating information and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. This undertaking will be entered into in order to assist the Underwriter in complying with Rule 15c2-12.

2. The Underwriter agrees to offer all the Bonds to the public initially at the prices (or yields) set forth on the inside front cover page of the Official Statement of the District pertaining to the Bonds, dated \_\_\_\_\_, 2021 (together with all appendices thereto, and with such changes therein and supplements thereto and as are consented to in writing by the Underwriter, and with the Preliminary Official Statement, are herein called the “**Official Statement**”). Subsequent to the initial public offering of the Bonds, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. “**Public Offering**” shall include an offering to a

representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold. The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronic distribution (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

3. The District shall also deliver a sufficient number of copies of the Official Statement to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the End Date (defined below). The District shall deliver these copies to the Underwriter no later than the earlier of (i) seven (7) business days after the execution of this Purchase Agreement or (ii) one (1) business day prior to the Closing Date in order to permit the Underwriter to comply with Rule 15c2-12, and the applicable rules of the MSRB, with respect to distribution of the Official Statement. The District shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriter no later than one (1) business day prior to the Closing Date to enable the Underwriter to comply with MSRB Rule G-32. The Underwriter covenants to file, or cause to be filed, the Official Statement (and any supplement and amendment thereof furnished to the Underwriter pursuant to this Section 3), with the MSRB's Electronic Municipal Market Access database ("**EMMA**").

The Official Statement, as of its date, as of the Closing Date and as of the date of any update, amendment or supplement thereto as required hereby subsequent to the Closing, up to and including the date which is twenty-five (25) days following the end (the "**End Date**") of the Underwriting Period (as hereinafter defined), will be correct and complete in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. For the purposes herein, "Underwriting Period" shall mean the period beginning on the dated date hereof and ending: (i) in the absence of written notice by the Underwriter to the District before the Closing Date, the Closing Date, or (ii) such other date as specified by the Underwriter a written notice delivered to the District before the Closing Date.

If, after the date of this Purchase Agreement and until the earlier of (i) ninety (90) days after the end of the Underwriting Period, or (ii) twenty-five (25) days following the end of the Underwriting Period if the Official Statement is timely filed on EMMA, any event shall occur or circumstance shall exist of which the District has knowledge that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District, shall notify the Underwriter (and for the purpose of this Section 3 provide the Underwriter with such information as it may from time to time reasonably request), and, if in the opinion of the District or the Underwriter such event or circumstance requires the preparation and publication of a supplement or amendment to the Official Statement, the District will prepare such a supplement or amendment, at the District's expense, so that the Official Statement as then supplemented or amended, will not 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 the statements therein, in the light of the circumstances under which they were made, not misleading and furnish to the Underwriter a reasonable number of copies of

such supplement or amendment provided that the Underwriter promptly agrees that it will notify the District of the end of the Underwriting Period.

4. At 8:30 a.m., Pacific Time, on \_\_\_\_\_, 2021, or at such other time or date as shall be agreed upon by the Underwriter and the District (such time and date being herein referred to as the “**Closing Date**”), the District shall deliver, or cause to be delivered, to the Trustee the Bonds in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York (“**DTC**”) (so that the Bonds may be authenticated by the Trustee and credited to the account that is specified by the Underwriter under DTC’s FAST procedures). On or before such Closing Date, the District shall deliver, at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation (“**Bond Counsel**”) in Newport Beach, California, or at such other place as is mutually agreed upon by the Underwriter and the District, the other documents that are described in this Purchase Agreement. On the date of the Closing, the Underwriter shall pay the purchase price of each series of Bonds as set forth in Section 1 of this Purchase Agreement in immediately available funds to the order of the Trustee. The delivery and payment described above is referred to as the “**Closing**”).

5. The Underwriter represents to and agrees with the District that, as of the date hereof and as of the Closing Date:

(i) The Underwriter is duly authorized to execute this Purchase Agreement and to take any action under this Purchase Agreement required to be taken by it;

(ii) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District, and is not prohibited thereby from acting as the underwriter with respect to securities of the District; and

(iii) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590 (c) or MSRB Rule G-32, with the District with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

6. The District represents, warrants and covenants to the Underwriter that:

(a) The District is a water district duly organized and existing under the laws of the State of California, and has all necessary power and authority to enter into and perform its duties under the Indenture, the Continuing Disclosure Certificate, the Escrow Agreement and this Purchase Agreement (collectively, the “**District Documents**”) and, when executed and delivered by the respective parties thereto, the District Documents will constitute the legal, valid and binding obligations of the District in accordance with their respective terms.

(b) Neither the execution and delivery of the District Documents, or the approval and execution of the Official Statement, and compliance with the provisions on the District’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, in any material way conflicts with or constitutes a breach of or default under nor contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in a 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 District Documents.

(c) 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, or filing with, or certification by, any regulatory authority having jurisdiction over the District required for the execution and delivery of the Bonds or the consummation by the District of the other transactions contemplated by the Official Statement and this Purchase Agreement.

(d) To the best of the knowledge of the District, and except as disclosed in the Official Statement, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the District to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the District Documents or the authority of the District to approve this Purchase Agreement, or enter into the District Documents, or in any way questioning or challenging the tax status of the Bonds.

(e) As of its date and as of the date hereof, the information relating to the District, the Bonds and the Water System contained in the Preliminary Official Statement 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 necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no representation is made with respect to information relating to DTC, DTC's book-entry system or any information therein provided by or pertaining to the Underwriter). As of the date thereof and at all times subsequent thereto up to and including the End Date, such information relating to the District, the Bonds and the Water System contained in the Official Statement will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the nature described in Section 6(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The District agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the District will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign agency in any jurisdiction where it is not so qualified. The Underwriter shall be responsible for all costs relating to such determination and qualification of the Bonds under blue sky or similar laws.

(g) By official action of the District prior to or concurrently with the execution hereof, the District has duly approved 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 Purchase Agreement.

(h) 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 or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, which breach or default

would have a material adverse effect on the pledge of Revenues under the Indenture or the District's performance under the District Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument.

(i) To the best knowledge of the District, the District is not in default, nor has been in default in the last ten years, as to the payment of principal or interest with respect to an obligation issued by the District or successor of the District or with respect to an obligation guaranteed by the District as guarantor or successor of a guarantor.

(j) If between the date of this Purchase Agreement and the End Date an event occurs, of which the District has knowledge, which might or would cause the information relating to the District, the Water System or the District's functions, duties and responsibilities 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 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 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 accordance with the last paragraph of Section 3, provided all expenses thereby incurred will be paid for by the District.

(k) If the information relating to the Water System, the District, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subsection, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subsection) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement 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 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) No consent, approval, authorization or other action by an governmental or regulatory agency that has not been obtained is or will be required of the District for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Purchase Agreement and the Official Statement, except for such licenses, certificates, approvals, variances or permits which may be necessary for the construction or operation of the Water System which the District has applied for (or will apply for in the ordinary course of business) and expects to receive, and except as may be required under the state securities or blue sky laws in connection with the sale of the Bonds by the Underwriter.

(m) Substantially all the proceeds from the sale of the Bonds (after deducting the expenses of issuance and sale of the Bonds) will be used to finance the redemption of the Refunded Bonds, and the District will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Indenture, as amended from time to time.

(n) The District will deliver all opinions, certificates, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Agreement.

(o) Any certificate of the District delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein.

(p) Other than as described in the Official Statement, as of the time of acceptance hereof and as of the Closing, the District does not and will not have outstanding any indebtedness which is secured by a lien on Revenues superior to or on a parity with the lien established by the Indenture.

(q) Between the date of this Purchase Agreement and the Closing Date, the District will not, without the prior written consent of the Underwriter, and except as disclosed in the Official Statement, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent payable from Net Revenues.

(r) The District is not presently and as a result of the execution of the District Documents and the sale of the Bonds will not be in violation of any debt limitation, appropriation limitation or any other provision of the California Constitution or statutes or any additional debt or similar provision of any bond, note, contract or other evidence of indebtedness to which the District is a party or to which the District is bound.

(s) The financial statements of, and other financial information regarding the District and the Water System in the Official Statement fairly present the financial position and results of the operations of the District, the Water System as of the dates and for the periods therein set forth and the audited financial statements have been prepared in accordance with generally accepted accounting principles applicable to cities.

(t) The District has not, in the last five years, failed to comply in any material respect with its obligations under any continuing disclosure undertaking entered into pursuant to Rule 15c2-12 except as disclosed in the Official Statement. The District will undertake, pursuant to the Continuing Disclosure Certificate to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12.

7. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and agreements of the District contained herein, and the opinions of Bond Counsel, Counsel to the Trustee and the District's general counsel required hereby. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At the time of Closing, the District Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto and the Official Statement shall not have been amended, modified or supplemented except as in accordance with this Purchase Agreement, and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(b) At or prior to the Closing, the Underwriter shall receive the following documents, in each case satisfactory in form and substance to them:

(1) The unqualified approving opinion of Bond Counsel, dated the Closing Date, addressed to the District, the Trustee and the Underwriter (or

reliance letter to the Trustee and the Underwriter), in substantially the form attached as APPENDIX C to the Official Statement;

(2) A supplemental opinion or opinions of Bond Counsel dated the Closing Date, addressed to the Underwriter, in form and substance to the effect that:

(a) The statements and information contained in the Official Statement under the captions "INTRODUCTION," "THE 2021 BONDS," "SECURITY FOR THE 2021 BONDS," "TAX MATTERS" and APPENDIX B and APPENDIX C, to the extent they purport to summarize information concerning the Bonds and certain provisions of the District Documents and the opinion of such counsel, present a fair and accurate summary of such information and such provisions;

(b) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an Indenture pursuant to the Indenture Act of 1939, as amended; and

(c) The District Documents and the Official Statement have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the other parties thereto, the District Documents constitute legal, valid and binding agreements of the District enforceable against the District in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, and except no opinion need be expressed as to the enforceability of the indemnification, waiver, choice of law or contributions provisions contained in the District Documents.

(3) The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel, dated the Closing Date and addressed to the District and the Underwriter, to the effect that, based upon their participation in conferences in the course of preparation of the Official Statement, and in reliance on such conferences and on the certificates, opinions and other documents mentioned in such opinion, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Official Statement as of its date and as of the Closing Date (except for any CUSIP numbers, financial, accounting, statistical or economic or engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about feasibility, valuation, appraisals, technology, real estate or environmental matters, the appendices thereto or any information about the Underwriter, underwriting, The Depository Trust Company or the Book-Entry System included or referred to therein, which such firm expressly excludes from the scope of this section and as to which such firm need express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.



(4) An opinion of the District's general counsel, dated the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the Underwriter and the Trustee, to the effect that:

(i) the District is a water district duly created and existing in accordance with the laws of the State of California;

(ii) the preparation and distribution of the Official Statement and the District Documents have been duly approved by the District;

(iii) the resolution of the District's Board of Directors approving and authorizing the District's execution and delivery of the Official Statement and the District Documents has been duly adopted at a meeting of the governing body of the District which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iv) except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel, threatened against or affecting the District, which would adversely impact the District's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under, or in any way contesting or affecting the validity of the District Documents, or the transactions described and defined in the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the District Documents;

(v) the execution and delivery of the District Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the District is subject;

(vi) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California is required for the valid authorization, execution and delivery of the District Documents and the approval of the Official Statement; and

(vii) the charges and fees of the Water System were duly approved and adopted by the District and are valid and enforceable at the current levels levied by the District.

(5) The opinion of counsel to the Trustee, dated the Closing Date in form and substance satisfactory to the Underwriter and Bond Counsel, and addressed to the District and the Underwriter.

(6) The opinion of counsel to the Escrow Agent, dated the Closing Date in form and substance satisfactory to the Underwriter and Bond Counsel, and addressed to the District and the Underwriter

(7) An opinion, dated the Closing Date and addressed to the Underwriter, of Kutak Rock LLP, counsel to the Underwriter (“**Underwriter’s Counsel**”), in such form as may be acceptable to the Underwriter.

(8) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the District satisfactory in form and substance to the Underwriter and Bond Counsel, (a) confirming as of such date the representations and warranties of the District contained in this Purchase Agreement; (b) certifying that the District has complied with in all material respects all agreements, covenants and conditions to be complied with by the District at or prior to the Closing under the District Documents; (c) certifying that to the best of such official’s knowledge, no event affecting the District has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; (d) certifying that no consent is required to be obtained for the inclusion of the District’s audited financial statements, including the accompanying accountant’s letter, for Fiscal Year 2020 in the Official Statement.

(9) A certificate, dated the date of the Preliminary Official Statement, signed by a duly authorized official of the District deeming the Preliminary Official Statement “final” for purposes of Rule 15c2-12.

(10) An executed copy of the District Documents.

(11) One counterpart original or copy certified by a duly authorized officer of the District of a complete transcript of all proceedings of the District relating to the approval of the District Documents and the authorization, issuance, sale and delivery of the Bonds.

(12) An executed copy of the Official Statement.

(13) A certified copy 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 documents such as the Bonds and the Indenture.

(14) Copies of the resolution adopted by the District’s Board of Directors and certified by the Secretary of the Board of Directors, authorizing the execution and delivery of the District Documents and the Official Statement.

(15) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the Trustee and the Escrow Agent satisfactory in form and substance to the Underwriter, to the effect that:

(i) The Trustee and Escrow Agent is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Indenture;

(ii) The Trustee and Escrow Agent is duly authorized to enter into the Indenture and Escrow Agreement and has duly executed and delivered the Indenture and Escrow Agreement, and assuming due authorization and execution by the other parties thereto, the Indenture and Escrow Agreement are legal, valid and binding upon the Trustee and Escrow Agent, as applicable, and enforceable against the Trustee and Escrow Agent in accordance with their terms;

(iii) The Trustee has duly authenticated the Bonds under the Indenture and delivered the Bonds to or upon the order of the Underwriter; and

(iv) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee and Escrow Agent that has not been obtained is or will be required for the issuance of the Bonds or the consummation by the Trustee of its obligations under the Indenture and Escrow Agreement.

(16) Evidence that the Bonds have been rated as set forth in the Official Statement and that such ratings continue in effect as of the Closing.

(17) A copy of the executed Blanket Letter of Representations by and between the District and The Depository Trust Company, New York, New York, relating to the book-entry system for the Bonds.

(18) A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code which may be delivered after the issuance of the Bonds.

(19) A verification report related to the refunding of the Refunded Bonds.

(20) A defeasance opinion or opinions related to the refunding of the Refunded Bonds.

(21) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel, the Underwriter and Underwriter's Counsel may reasonably request to evidence compliance 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 Trustee 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 this Purchase Agreement, the Bonds and the sale thereof, the District Documents and the consummation of the transactions contemplated by this Purchase Agreement shall have been approved by the Underwriter, such approval not to be unreasonably withheld.

If the conditions to the Underwriter's obligations contained in this Purchase Agreement are not satisfied or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the District shall have any further obligation hereunder.

8. The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefor, by written notification to the District if at any time at or prior to the Closing in the Underwriter's reasonable judgment any of the following events shall occur:

(a) The market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall be materially adversely affected by any of the following events:

(i) Legislation shall be enacted by or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to alter, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein; or

(ii) there shall have occurred (1) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (2) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis; or

(iii) Legislation enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or

other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

(iv) A general suspension of trading in securities on the New York Stock Exchange or any other national securities exchange, the establishment of minimum or maximum prices on any such national securities exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, or any material increase of restrictions now in force (including, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter); or

(v) Except as disclosed in or contemplated by the Official Statement, any material adverse change in the affairs of the District shall have occurred; or

(vi) Any rating of the Bonds or other obligations of the District by a national rating agency shall have been withdrawn or downgraded or placed on credit watch with negative outlook; or

(b) A general banking moratorium shall have been established by federal, State of New York or California authorities; or

(c) Any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District, its property, income or securities (or interest thereon), or the ability of the District to execute the Indenture or the District to issue the Bonds and pledge the Revenues as contemplated by the Indenture and the Official Statement; or

(d) Establishment of any new restrictions in securities materially affecting the free market for securities of the same nature as the Bonds (including the imposition of any limitations on interest rates) or the charge to the net capital requirements of the Underwriter 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; or

(e) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement, or results in the Preliminary Official Statement or the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(f) A material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(g) An event described in Section 6(j) hereof shall have occurred which, in the reasonable professional judgment of the Underwriter, requires the preparation and publication of a supplement or amendment to the Official Statement; or

(h) A decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Purchase Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended and the Trust Indenture Act of 1939, as amended.

9. Performance by the District of its respective obligations under this Purchase Agreement is conditioned upon (i) performance by the Underwriter of its obligations hereunder, and (ii) receipt by the Underwriter of all opinions and certificates to be delivered at Closing by persons and entities other than the District.

10. (a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid out of the proceeds of the Bonds, all expenses incident to the performance of the District's obligations hereunder, including but not limited to: the cost of photocopying and delivering the Bonds to the Underwriter; the cost of preparing, printing (and/or word processing and reproducing), distributing and delivering the District Documents and the cost of printing, distributing and delivering the Preliminary Official Statement and the Official Statement in such reasonable quantities as requested by the Underwriter; and the fees and disbursements of Bond Counsel, Disclosure Counsel, any accountants, financial advisors or other engineers or experts or consultants the District have retained in connection with the Bonds and expenses (included in the expense component of the Underwriter's spread) incurred on behalf of the District officers or employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees.

(b) Whether or not the Bonds are delivered to the Underwriter as set forth herein, the District shall be under no obligation to pay, and the District shall not pay, any expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in subsection (a) of this section), including any advertising expenses and the fees of the California Debt and Investment Advisory Commission, CUSIP services bureau charges, regulatory fees imposed on the Underwriter for new security issues, the cost of preparation of any "blue sky" or legal investment memoranda and the fees and disbursements of Underwriter's Counsel.

11. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Wells Fargo Bank, N.A., 333 S. Grand Avenue, 5th Floor, Los Angeles, CA 90071, Attention: Public Finance Department. Any notice or other communication to be given to the District may be given by delivering the same to addresses initially provided herein, Attention: General Manager. The approval of the Underwriter when required hereunder or the determination of satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to you.

12. This Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

13. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which such counterparts shall together constitute but one and the same instrument.

14. The representations and warranties of the District set forth in or made pursuant to this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and warranties of the District and regardless of delivery of and payment for the Bonds.

15. The primary role of the Underwriter, as underwriter, is to purchase the Bonds for resale to investors in an arms-length commercial transaction among the District and the Underwriter. The Underwriter has financial and other interests that differ from those of the District.

16. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and the Underwriter and shall be valid and enforceable as of the time of such acceptance.

17. This Purchase Agreement shall not be assigned by either party hereto.

18. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds by the District and represents the entire agreement of the parties as to the subject matter herein.

19. Any provision of this Purchase Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Purchase Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

20. This Purchase Agreement shall be governed by the laws of the State of California.

**WELLS FARGO BANK, N.A.**

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

The foregoing is hereby agreed to and accepted as of the date first above written:

**WALNUT VALLEY WATER DISTRICT**

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

Time of Execution: \_\_\_\_\_ p.m. California time

**[SIGNATURE PAGE OF BOND PURCHASE AGREEMENT – WALNUT VALLEY  
WATER DISTRICT WATER REVENUE REFUNDING BONDS, SERIES 2021A  
(FEDERALLY TAXABLE)]**



**EXHIBIT A**

**\$ \_\_\_\_\_**  
**WALNUT VALLEY WATER DISTRICT**  
**WATER REVENUE REFUNDING BONDS**  
**SERIES 2021A (FEDERALLY TAXABLE)**

<u>Maturity</u> <u>(_____ 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
20__ <sup>(T)</sup>			

<sup>(T)</sup> Term Bond.

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Walnut Valley Water District (the “District”) in connection with the issuance of its \$ \_\_\_\_\_ Water Revenue Refunding Bonds, Series 2021A (Federally Taxable) (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of August 1, 2021 (the “Indenture”), by and between U.S. Bank National Association, as trustee, and the District. The District covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

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

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

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Financial Obligation. The term “Financial Obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement dated August \_\_, 2021 relating to the Bonds.

Participating Underwriter. The term “Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The District shall provide not later than each April 1 following the end of its Fiscal Year (commencing April 1, 2022 with the report for Fiscal Year 2021) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the District for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Disclosure Report and audited financial statements will be provided when and if available; and

(b) To the extent not contained in the audited financial statements, updated financial information and operating data relating to the District for the last completed Fiscal Year of the type contained in the Official Statement under the following captions:

1. THE WATER SYSTEM—Historical Water Supply;
2. THE WATER SYSTEM—Historical Water System Service Connections (excluding the first table under such caption);
3. THE WATER SYSTEM—Historical Water System Deliveries;
4. THE WATER SYSTEM—Historical Water System Sales Revenues;
5. THE WATER SYSTEM—Largest Water System Customers; and
6. WATER SYSTEM FINANCIAL INFORMATION—Historical Water System Operating Results and Debt Service Coverage.

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 have been submitted to EMMA; provided, that if any document included by reference is a final Official Statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person; and
10. default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

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

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond Holders;

- Bonds;
3. optional, unscheduled or contingent Bond redemptions;
  4. release, substitution or sale of property securing repayment of the
  5. non-payment related defaults;
  6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
  7. appointment of a successor or additional trustee or the change of the name of a trustee; and
  8. incurrence of a Financial Obligation of the District or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

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

8. 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, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

9. 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 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 notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% in aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking

mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, 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.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: August \_\_, 2021

WALNUT VALLEY WATER DISTRICT

By: \_\_\_\_\_  
Its: General Manager

## ESCROW AGREEMENT (2013 BONDS)

THIS ESCROW AGREEMENT (2013 BONDS), dated as of August 1, 2021 (the “**Agreement**”), by and among Walnut Valley Water District (the “**District**”), Puente Basin Water Agency (the “**Agency**”) and U.S. Bank National Association, as escrow agent (the “**Escrow Agent**”) and as 2013 Trustee (as such term is defined herein), is entered into in accordance with a resolution of the District adopted on July 26, 2021 and an Indenture of Trust, dated as of March 1, 2013 (the “**2013 Indenture**”), by and between the Agency and U.S. Bank National Association, as successor trustee (the “**2013 Trustee**”). This Agreement is entered into to refund all of the outstanding Puente Basin Water Agency Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project) (the “**2013 Bonds**”) in the aggregate principal amount of \$13,890,000.

### RECITALS

A. Pursuant to the 2013 Indenture, the Agency issued the 2013 Bonds in the initial aggregate principal amount of \$17,300,000, of which \$13,890,000 is currently outstanding.

B. The 2013 Bonds are payable from net revenues of the District’s municipal water system.

C. The District has determined to issue its Walnut Valley Water District Water Revenue Refunding Bonds, Series 2021A (Federally Taxable) (the “**2021 Bonds**”), a portion of the proceeds of which, together with other moneys as described in Section 1, will be applied to pay: (i) the regularly scheduled payments of principal of and interest on the 2013 Bonds through and including June 1, 2023 (the “**Redemption Date**”); and (ii) on the Redemption Date, the principal of the 2013 Bonds maturing after the Redemption Date, plus interest thereon accrued through the Redemption Date, without premium.

D. The District will irrevocably deposit moneys with the Escrow Agent, which moneys will be used to purchase the securities that are described on Schedule A (the “**Federal Securities**”) (as permitted by, in the manner prescribed by and all in accordance with the 2013 Indenture). Such Federal Securities satisfy the criteria for “Federal Securities” set forth in Section 9.01(c) of the 2013 Indenture, and the principal of and interest on such Federal Securities when paid will provide money which will be fully sufficient to pay and discharge the 2013 Bonds.

### AGREEMENT

SECTION 1. Deposit of Moneys. The District will cause U.S. Bank National Association, as trustee for the 2021 Bonds, to transfer a portion of the proceeds of the 2021 Bonds in the amount of \$\_\_\_\_\_ on the date of issuance of the 2021 Bonds to the Escrow Agent for deposit in the Escrow Fund established hereunder. The District will also cause the 2013 Trustee to transfer \$\_\_\_\_\_ from the \_\_\_\_\_ Fund established under the 2013 Indenture to the Escrow Agent for deposit in the Escrow Fund established hereunder.

The Escrow Agent will hold such amounts in an irrevocable escrow separate and apart from other moneys of the District, the Agency and the Escrow Agent in a fund hereby created and established to be known as the “**Escrow Fund**” and to be applied solely as provided in this Agreement. The District and the Agency represent that the sum of the amounts set forth above are at

least equal to an amount that is sufficient to purchase the Federal Securities listed on Schedule A, and to hold \$ \_\_\_ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest such moneys in the Federal Securities listed on Schedule A and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of Causey Demgen & Moore P.C., Denver, Colorado (the “**Verification Agent**”) that the Federal Securities listed on Schedule A mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay: (i) the regularly scheduled payments of principal of and interest on the 2013 Bonds through and including the Redemption Date; and (ii) on the Redemption Date, the principal of the 2013 Bonds maturing after the Redemption Date, plus interest thereon accrued through the Redemption Date, without premium.

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the District, together with an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, to the effect that reinvestment is permitted under the legal documents in effect with respect to the 2013 Bonds and will not have an adverse effect on the tax status of the 2013 Bonds, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the District, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay: (i) the regularly scheduled payments of principal of and interest on the 2013 Bonds through and including the Redemption Date; and (ii) on the Redemption Date, the principal of the 2013 Bonds maturing after the Redemption Date, plus interest thereon accrued through the Redemption Date, without premium. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section which is not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the District with respect to the refunding of the 2013 Bonds or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions, shall be paid to the District promptly upon the receipt of such interest income by the Escrow Agent. The determination of the District as to whether an accountant qualifies under this Agreement shall be conclusive.

SECTION 4. Substitution of Securities. Upon the written request of the District, and subject to the conditions and limitations that are set forth herein and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities other Federal Securities, but only after the Agency or the District has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, to the effect that the substitution of securities is permitted under the legal documents in effect with respect to the 2013 Bonds and will not have an adverse effect on the tax status of the 2013 Bonds; and (ii) a report by a firm of independent certified public accountants to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay: (1) the regularly scheduled payments of principal



of and interest on the 2013 Bonds through and including the Redemption Date; and (2) on the Redemption Date, the principal of the 2013 Bonds maturing after the Redemption Date, plus interest thereon accrued through the Redemption Date, without premium. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of 2013 Bonds.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall transfer funds to the 2013 Trustee in an amount sufficient to enable the 2013 Trustee to pay: (i) the regularly scheduled payments of principal of and interest on the 2013 Bonds through and including the Redemption Date; and (ii) on the Redemption Date, the principal of the 2013 Bonds maturing after the Redemption Date, plus interest thereon accrued through the Redemption Date, without premium, all as indicated on Schedule A.

(b) Irrevocable Instructions to Provide Notice. The notices required to be mailed pursuant to Section 4.03 and Article IX of the 2013 Indenture are substantially in the forms attached hereto as Exhibits A and B. The District and the Agency hereby irrevocably instruct the 2013 Trustee to mail: (i) a notice of redemption of the 2013 Bonds maturing after the Redemption Date substantially in the form attached hereto as Exhibit A at least 30 days prior to the Redemption Date to the parties described in and otherwise in accordance with Section 4.03 of the 2013 Indenture (including The Depository Trust Company and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, maintained on the Internet at <http://emma.msrb.org/>); and (ii) a notice of defeasance of the 2013 Bonds in the form attached hereto as Exhibit B on the date of issuance of the 2021 Bonds to the parties described in and otherwise in accordance with Article IX of the 2013 Indenture (including The Depository Trust Company and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, maintained on the Internet at <http://emma.msrb.org/>), as required to provide for the payment and redemption of the 2013 Bonds in accordance with this Section.

(c) Unclaimed Moneys. Any moneys in the Escrow Fund which remain unclaimed after the Redemption Date shall be repaid by the Escrow Agent to the District.

(d) Priority of Payments. The owners of the 2013 Bonds shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2013 Indenture and the Installment Purchase Contract, dated as of March 1, 2013 (the "**2013 IPC**"), by and between the District and the Agency, upon the deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 and the purchase of the Federal Securities as provided in Section 2: (i) the pledge of the Revenues (as such term is defined in the 2013 Indenture) and other funds provided for in the 2013 Indenture and all other obligations of the Agency under the 2013 Indenture with respect to the 2013 Bonds will cease and terminate, except as set forth in the 2013 Indenture, and thereafter Revenues will not be payable to the Trustee; (ii) all obligations of the Agency and the 2013 Trustee under the 2013 Indenture will cease and terminate, except as set forth in the 2013 Indenture; and (iii) all obligations of the District under the 2013 IPC with respect to the 2013 Bonds will cease and terminate, except as set forth in the 2013 IPC.

SECTION 6. Application of Certain Terms of the 2013 Indenture. All of the terms of the 2013 Indenture relating to the making of payments of principal of and interest on the 2013 Bonds and relating to the exchange or transfer of the 2013 Bonds are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Section 7.01 of the 2013 Indenture relating to the resignation and removal and merger of the 2013 Trustee are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties that are set forth herein and has no responsibility to take any action or omit to take any action that is not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Section 2 hereof, the Escrow Agent shall have no power or duty to invest any funds that are held hereunder or to sell, transfer or otherwise dispose of the moneys or Federal Securities that are held hereunder.

SECTION 9. Indemnity. The District and the Agency hereby assume liability for, and hereby agree (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, directors, officers, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Escrow Agent at any time (whether or not also indemnified against the same by the District, the Agency or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the District and the Agency shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees. In no event shall the District, the Agency or the Escrow Agent be liable to any person by reason of the transactions that are contemplated hereby other than to each other as set forth in this Section. The indemnities that are contained in this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay the 2013 Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent that is made in good faith in the conduct of its duties. The recitals of fact that are contained herein shall be taken as the statements of the District and the Agency, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the 2013 Bonds or to the validity of this Agreement as to the District or the Agency and, except as

otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the District or the Agency, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District or the Agency. The Escrow Agent shall incur no liability for losses arising from any investment made pursuant to this Agreement.

No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to this Agreement and delivered using Electronic Means (“**Electronic Means**” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the District and the Agency shall provide to the Escrow Agent incumbency certificates listing officers with the authority to provide such Instructions (“**Authorized Officers**”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District or the Agency whenever a person is to be added or deleted from the listing. If the District or the Agency elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent’s understanding of such Instructions shall be deemed controlling. The District and the Agency understand and agree that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The District and the Agency shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the District, the Agency and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District and the Agency. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent’s reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The District and the Agency agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that they are fully informed of the protections and risks

associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District or the Agency; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

The Escrow Agent shall furnish the District with periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the District or the Agency, provided that the Escrow Agent is not obligated to provide an accounting for any fund or account that: (a) has a balance of \$0.00; and (b) has not had any activity since the last reporting date. Upon the District's election, such statements will be delivered via the Escrow Agent's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The District and the Agency further understand that trade confirmations for securities transactions effected by the Escrow Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of securities that is to be submitted pursuant to this Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the District with respect to escrowed funds which were to be invested in securities. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of investment instructions from the District, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the District's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

SECTION 11. Amendments. This Agreement is made for the benefit of the District, the Agency and the owners from time to time of the 2013 Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent, the Agency and the District; provided, however, that the District, the Agency and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement or the 2013 Indenture, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 2013 Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various 2013 Bonds or that any instrument that is executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Notice to Rating Agencies. In the event that this agreement or any provision thereof is severed, amended or revoked, the Escrow Agent, upon written instructions from the District, shall provide written notice in the form provided by the District of such severance, amendment or revocation to the rating agencies then rating the 2013 Bonds.

SECTION 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2013 Bonds have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement. Funds remaining in the Escrow Fund after payment in full of the 2013 Bonds shall be transferred to the District.

SECTION 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent, the Agency and the District, and any other reasonable fees and expenses of the Escrow Agent; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services that are rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 15. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the District, the Agency or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void, shall be deemed separate from the remaining covenants and agreements contained herein and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 18. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in the District in which is located the office of the Escrow Agent are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day which is not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement, and no interest shall accrue for the period from and after such nominal date.

SECTION 19. Assignment. This Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the District and the Agency.

SECTION 20. Reorganization of Escrow Agent. Notwithstanding anything to the contrary contained in this Agreement, any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, shall be the

successor to the Escrow Agent without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Agent.

SECTION 21. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds thereof and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 22. Notices. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust, Reference: Puente Basin Water Agency 2013 Walnut Valley Water District Bonds. Any notice to or demand upon the District or the Agency shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or other electronic transmission, overnight mail or courier or mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the District or the Agency at 271 South Brea Canyon Road, Walnut, California 91789, Attention: General Manager (or such other address as may have been filed in writing by the District or the Agency with the Escrow Agent).

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

WALNUT VALLEY WATER DISTRICT

By: \_\_\_\_\_  
General Manager

PUENTE BASIN WATER AGENCY

By: \_\_\_\_\_  
Administrative Officer

U.S. BANK NATIONAL ASSOCIATION, as  
Escrow Agent and 2013 Trustee

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

**SCHEDULE A**  
**FEDERAL SECURITIES**

Moneys deposited in the Escrow Fund shall be invested as follows:

<i>Security</i>	<i>Maturity</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
[ ]	December 1, 2021	\$	%
	June 1, 2022		
	December 1, 2022		
	June 1, 2023		

The escrow requirements for the 2013 Bonds are as follows:

<i>Period Ending</i>	<i>Principal Paid</i>	<i>Principal Redeemed</i>	<i>Interest</i>	<i>Total</i>
December 1, 2021	\$ -	\$ -		\$
June 1, 2022	[ ]	-		
December 1, 2022	-	-		
June 1, 2023	[ ]			



## EXHIBIT A

### NOTICE OF FULL OPTIONAL REDEMPTION

PUENTE BASIN WATER AGENCY  
WATER REVENUE BONDS, 2013 SERIES A  
(WALNUT VALLEY WATER DISTRICT PROJECT)

BASE CUSIP 745056

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2013 Bonds”), which were issued pursuant to the Indenture of Trust, dated as of March 1, 2013 (the “2013 Indenture”), by and between the Puente Basin Water Agency (the “Agency”) and U.S. Bank National Association, as successor trustee (the “2013 Trustee”), that 2013 Bonds maturing on and after June 1, 2024 in the aggregate principal amount of \$12,790,000 have been called for redemption on June 1, 2023 (the “Redemption Date”). The 2013 Bonds being refunded were originally issued on March 28, 2013 and are described in the following table.

<i>Principal Payment Date (June 1)</i>	<i>CUSIP®<sup>†</sup> (745056)</i>	<i>Redeemed 2013 Bonds</i>	<i>Interest Rate</i>	<i>Redemption Price</i>
2024	BL4	\$ 595,000	5.00%	100%
2025	BM2	620,000	5.00	100
2026	BN0	655,000	5.00	100
2027	BP5	685,000	5.00	100
2028	BQ3	720,000	5.00	100
2029	BR1	755,000	5.00	100
2030	BU4	795,000	5.00	100
2031	BV2	835,000	5.00	100
2032	BW0	875,000	5.00	100
2033	BS9	920,000	5.00	100
2038	BT7	<u>5,335,000</u>	5.00	100
TOTAL		\$12,790,000		

The 2013 Bonds being refunded will be payable on the Redemption Date at a Redemption Price of 100% of the principal amount thereof plus accrued interest thereon to such date (the “Redemption Price”). The Redemption Price of the 2013 Bonds will become due and payable on the Redemption Date. Interest with respect to the 2013 Bonds will cease to accrue and be payable from and after the Redemption Date, and such 2013 Bonds will be surrendered to the 2013 Trustee.

To receive payment on the Redemption Date, owners of the 2013 Bonds being refunded should present and to surrender said 2013 Bonds on the Redemption Date at the address of the 2013 Trustee set forth below:

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the Agency nor its agents or counsel assume responsibility for the accuracy of such numbers.

## Delivery Instructions

U.S. Bank National Association  
Global Corporate Trust  
c/o MUFG Union Bank, N.A.  
445 South Figueroa Street, 8th Floor  
Los Angeles, California 90071

## **REQUIREMENT INFORMATION**

For a list of redemption requirements please visit our website at [www.usbank.com/corporatetrust](http://www.usbank.com/corporatetrust) and click on the “Bondholder Information” link for Redemption instructions. You may also contact our Bondholder Communications team at 1-800-934-6802 Monday through Friday from 8 AM to 6 PM CST.

## **IMPORTANT NOTICE**

Federal law requires the Trustee to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit [www.irs.gov](http://www.irs.gov) for additional information on the tax forms and instructions.

If the owner of any 2013 Bond being refunded fails to deliver such 2013 Bond to the 2013 Trustee on the Redemption Date, such 2013 Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such 2013 Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the 2013 Trustee for such payment.

*Note: The Walnut Valley Water District, the Agency and the 2013 Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any 2013 Bond. They are included solely for the convenience of the holders.*

U.S. BANK NATIONAL ASSOCIATION, as 2013  
Trustee

May 1, 2023

## EXHIBIT B

### NOTICE OF DEFEASANCE

PUENTE BASIN WATER AGENCY  
WATER REVENUE BONDS, 2013 SERIES A  
(WALNUT VALLEY WATER DISTRICT PROJECT)

BASE CUSIP 745056

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2013 Bonds”), which were issued pursuant to the Indenture of Trust, dated as of March 1, 2013 (the “2013 Indenture”), by and between the Puente Basin Water Agency (the “Agency”) and U.S. Bank National Association, as successor trustee (the “2013 Trustee”), that the Walnut Valley Water District (the “District”) has caused to be deposited with U.S. Bank National Association, as escrow agent (the “Escrow Agent”), cash and federal securities, the principal of and interest on which when paid will provide an amount sufficient to pay: (i) the regularly scheduled payments of principal of and interest on the 2013 Bonds through and including June 1, 2023 (the “Redemption Date”); and (ii) on the Redemption Date, the principal of the 2013 Bonds maturing after the Redemption Date, plus interest thereon accrued through the Redemption Date, without premium. The 2013 Bonds were originally issued on March 28, 2013 and are described in the following table.

<i>Principal Payment Date (June 1)</i>	<i>CUSIP®<sup>†</sup> (745056)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
2022	BJ9	\$ 535,000	5.00%
2023	BK6	565,000	5.00
2024	BL4	595,000	5.00
2025	BM2	620,000	5.00
2026	BN0	655,000	5.00
2027	BP5	685,000	5.00
2028	BQ3	720,000	5.00
2029	BR1	755,000	5.00
2030	BU4	795,000	5.00
2031	BV2	835,000	5.00
2032	BW0	875,000	5.00
2033	BS9	920,000	5.00
2038	BT7	<u>5,335,000</u>	5.00
TOTAL		\$13,890,000	

As provided in the 2013 Indenture and the Installment Purchase Contract, dated as of March 1, 2013 (the “2013 IPC”), by and between the District and the Agency: (i) the pledge of the Revenues (as such term is defined in the 2013 Indenture) and other funds provided for in the 2013 Indenture and all other obligations of the Agency under the 2013 Indenture with respect to the 2013 Bonds have ceased and terminated, except as set forth in the 2013 Indenture, and Revenues will hereafter

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the Agency nor its agents or counsel assume responsibility for the accuracy of such numbers.

not be payable to the Trustee; (ii) all obligations of the Agency and the 2013 Trustee under the 2013 Indenture have ceased and terminated, except as set forth in the 2013 Indenture; (iii) all obligations of the District under the 2013 IPC with respect to the 2013 Bonds have ceased and terminated, except as set forth in the 2013 IPC; and (iv) all obligations of the District under the Continuing Disclosure Undertaking, dated as of March 1, 2013, relating to the 2013 Bonds, have terminated.

No representation is made as to the correctness of the CUSIP number either as printed on any 2013 Bond or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for defeasance or redemption of the 2013 Bonds.

U.S. BANK NATIONAL ASSOCIATION, as 2013  
Trustee

August \_\_, 2021



Stradling Yocca Carlson & Rauth  
660 Newport Center Drive, Suite 1600  
Newport Beach, CA 92660-6422  
949 725 4000  
stradlinglaw.com

Brian P. Forbath, Esq.  
Direct Dial: (949) 725-4193  
bforbath@stradlinglaw.com

July 26, 2021

Erik Hitchman  
General Manager  
Walnut Valley Water District  
271 South Brea Canyon Road  
Walnut, California 91789

Dear Mr. Hitchman:

We appreciate the opportunity to represent the Walnut Valley Water District (the “**District**”) as bond and disclosure counsel for the proposed taxable refinancing of the outstanding Puente Basin Water Agency Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project). These services will include both drafting the bond indenture, escrow agreement and related documents as well as assistance in drafting the preliminary official statement and final official statement, all as described in the attached scope of services.

As is traditional for bond and disclosure counsel matters, our fees will be contingent on the completion of the bond issuance and will be payable from the proceeds of the new bonds. Unless otherwise confirmed in writing, the terms of this letter and the enclosed Terms of Retention will govern our bond counsel representation of you in connection with the matters identified above.

We are attaching our normal Terms of Retention, which is an integral part of our retention agreement. If this letter, including the attached Terms of Retention, accurately reflects your understanding of our relationship, please acknowledge your approval and acceptance of these terms by signing and returning this letter to me. Copies of each are enclosed for your files. I would be pleased to answer any questions you might have.

Very truly yours,

STRADLING YOCCA CARLSON & RAUTH

Brian P. Forbath

Enclosure

Terms of Retention

July 26, 2021

Page 2

The undersigned hereby agrees that the terms and conditions in this letter and the accompanying Terms of Retention shall apply to services rendered by Stradling Yocca Carlson & Rauth.

WALNUT VALLEY WATER DISTRICT

By: \_\_\_\_\_  
General Manager

**TERMS OF RETENTION  
OF  
STRADLING YOCCA CARLSON & RAUTH**

1. **Fees and Costs.** Stradling Yocca Carlson & Rauth, a Professional Corporation (the “**Firm**”), is compensated for its services based primarily on the value of the services and the time spent performing them. Such compensation may include the time spent on client conferences, travel, research, drafting documents and other activities. The amount of fees charged on a statement is determined by the hours expended by the different attorneys and other professional personnel involved and the applicable rates.

Except for bond and disclosure counsel matters described below, payment is due within thirty days of the date of receipt of each fee and costs statement of the Firm. Statements paid more than 60 days after the date of submission will be charged interest of 10% per annum. If the Walnut Valley Water District (the “**District**”) wishes to question any charge, the District agrees to do so within thirty days of the statement date. The District agrees to contact a primary attorney in charge of the District’s matters with any questions about any of the District’s bills.

**For bond and disclosure counsel matters, payment is contingent on the bond issuance and is payable upon closing from bond proceeds. A scope of service and the not-to-exceed fixed fee for the proposed bond issuance is set forth in the attached Exhibit A, which is incorporated herein by this reference.**

The Firm also charges for various costs such as copying, telephone charges, computerized legal research, word processing and/or other computer time, overtime costs, messenger services, travel, filing fees and other costs. Bills for some costs are passed on directly, such as bills for certified shorthand reporters, technical consultants and other professional fees. For bond and disclosure counsel matters, these expenses are all included in the fixed amount that is set forth in Exhibit A.

Services unrelated to specific transactions, including but not limited to post-closing compliance matters, arbitrage rebate compliance, continuing disclosure compliance and representation of the District in connection with Internal Revenue Service, federal or state securities law or other regulatory matters and other post-closing matters, shall be subject to a written amendment to this agreement and will be billed in accordance with such written amendment.

2. **Termination by the Firm.** The Firm reserves the absolute right to withdraw from representing the District if the District fails to honor the terms of this agreement or fails to cooperate fully or follow the Firm’s advice on a material matter, or any fact or circumstance occurs that would, in the Firm’s view, render the Firm’s continuing representation unlawful or unethical. If the Firm elects to withdraw, the District will take all steps necessary to free the Firm of any obligation to perform further services, including the execution of any documents necessary to complete the Firm’s withdrawal, and the Firm will be entitled to be paid at the time of withdrawal for all services rendered and costs and expenses paid or incurred on the District’s behalf. Notwithstanding the foregoing, no portion of any contingent bond or disclosure counsel fee shall be payable in the event that the Firm terminates its representation of the District as discussed above prior to closing of the

proposed transaction. If necessary in connection with litigation, the Firm will request leave of court to withdraw.

3. **Termination by District.** The Firm understands that it serves at the pleasure of the District and this agreement may be terminated by the District at any time, upon 10 days written notification with or without cause. In the event that the Firm's services are terminated prior to completion of a bond issuance, no portion of any contingent bond or disclosure counsel fee shall be payable to the Firm, but actual out-of-pocket expenses will be reimbursed.

4. **Date of Termination.** The Firm's representation of the District will be considered terminated at the earlier of: (i) the District's termination of the Firm's representation; (ii) the Firm's withdrawal from representation of the District; or (iii) the completion of the Firm's substantive work for the District.

5. **Related Activities.** If any third-party claim or action is brought against us or any personnel or agents of the Firm based on the District's sole negligence or sole misconduct, or if the Firm must defend the confidentiality of the District's communications in any proceeding, the District agrees to pay the Firm the actual cost of any resulting fees, costs or damages, including the Firm's time, even if the Firm's representation of the District has ended.

6. **No Guarantee of Outcome.** The Firm will provide its services consistent with the level and quality of expertise expected of a nationally recognized firm specializing in securities law and the transaction contemplated by this agreement. The Firm does not and cannot guarantee any outcome in a matter.

7. **Insurance and Indemnification.** The Firm maintains professional errors and omissions insurance coverage that is applicable to the services to be rendered to the District. The Firm agrees to hold harmless, indemnify and defend the District from and against any and all finally adjudicated determinations, including all costs of defense and reasonable attorneys' fees, relating to the negligence or willful misconduct of the Firm's services rendered in connection with this Terms of Retention up to the limits of such professional errors and omissions insurance coverage.

8. **Client.** The Board of Directors of the District is the Firm's client. Unless expressly agreed, the Firm is not undertaking the representation of any related or affiliated person or entity, nor any parent, subsidiary or affiliated corporation or entity, nor any of the District's or their officers, directors, agents, or employees.

9. **Payment Notwithstanding Dispute.** In the event of any dispute that relates to the Firm's entitlement to any payment from the District, all undisputed amounts shall be paid by the District to the Firm's client trust account. Any amounts in any client trust account held on the District's behalf, sufficient to pay the disputed amounts, shall continue to be held in such trust account until the final disposition of the dispute.

10. **Arbitration.** The Firm appreciates the opportunity to serve as the District's attorneys and anticipates a productive and harmonious relationship. If the District should feel for any reason that there is a problem with the services that the Firm has performed or with the Firm's charges, the



Firm encourages the District to bring such matters to the Firm's attention immediately. If the Firm perceives a problem with representation of the District, the Firm will likewise endeavor to discuss it with the District. Most problems should be rectified by communication and discussion. However, a dispute might arise between the Firm and the District which could not be resolved by negotiation. The Firm believes that such attorney-client disputes are most satisfactorily resolved through final and binding arbitration rather than by litigation. Both the United States Supreme Court and the California Supreme Court have endorsed arbitration as an accepted and favored method of resolving disputes, because it is economical and expeditious.

In arbitration, there is no right to a trial by jury and the arbitrator's legal and factual determinations are generally not subject to appellate review. Arbitration rules of evidence and procedure are often less formal and less rigid than the rules which apply in courts. Arbitration usually results in a decision much more quickly than proceedings in courts, and the attorneys' fees and other costs incurred by both sides may be substantially less. The District is free to discuss the advisability of arbitration with the Firm or with the District's own independent counsel or any of the District's other advisors, and to ask any questions which the District may have.

By signing this Terms of Retention, the Firm and the District agree that, in the event of any dispute or claim arising out of or relating to this agreement, such dispute or claim shall be resolved by submission to final and binding arbitration in Los Angeles County, California, before a retired judge or justice. By agreeing to arbitrate the parties waive any right they may have to a court or jury trial. Venue with regard to any ancillary proceedings arising out of such dispute or claim shall also be in Los Angeles County. If the Firm and the District are unable to mutually agree on a retired judge or justice, then each side will name one retired judge or justice and the two named persons will select a neutral judge or justice who will act as the sole arbitrator. The fees of the arbitrator will be paid equally by both the Firm and the District.

In arbitration, the Firm and the District shall both be entitled to conduct discovery in accordance with the provisions of the California Code of Civil Procedure, but either the Firm or the District may request that the arbitrator limit the amount or scope of such discovery and, in determining whether to do so, the arbitrator shall balance the need for the discovery against the parties' mutual desire to resolve disputes expeditiously and inexpensively.

Under California law, the District has the right, if desired, to request arbitration of any fee dispute before an arbitrator or panel of arbitrators selected by a local bar association or the State Bar (a "**Bar Arbitration**") and a trial de novo in court if dissatisfied with the result. If the District does request a Bar Arbitration, the law provides that evidence of any claim of malpractice or professional misconduct is admissible only concerning the fees or costs in dispute and that the Bar Arbitrators shall not award any affirmative relief in the form of damages, offset or otherwise on account of such claim. By signing this agreement, the District agrees that if a Bar Arbitration is conducted, that Bar Arbitration or any trial de novo in court thereafter shall determine only the issue of the amount of fees properly chargeable to the District, if any, and that such Bar Arbitration or trial de novo in Court thereafter shall have no effect on the provisions set forth above which require arbitration before a retired judge or justice of any claims for affirmative relief based on alleged professional malpractice, errors or omissions, breach of conduct, breach of fiduciary duty, fraud or violation of any statute.

Any such claims shall be solely determined in an arbitration proceeding by a retired judge or justice without regard to the result of any Bar Arbitration or trial de novo thereafter.

11. **Other Clients.** As a law firm with many diverse clients and practice areas, the Firm seeks to retain the ability to accept unrelated matters for all of the Firm's clients. We may thus request your informed written consent in the event that the Firm seeks to represent any other client in any future matter that is not substantially related to this matter and does not involve material confidential information that the Firm obtained while representing the District in this matter. Such matters could arise during our representation of the District in this matter. The District may determine to consent or not consent to such request and should feel free to consult independent counsel of the District's choice before deciding whether to grant any consent should it be requested.

The Firm represents various public agencies throughout California on bond and disclosure counsel matters and the District acknowledges that the Firm is simultaneously representing Rowland Water District in connection with the refinancing of certain of its outstanding obligations. The Firm has not represented and will not represent any agencies on any matter adverse to the District while engaged by the District on this matter.

The Firm represents various investment banks, placement agents and underwriters from time to time on transactions for public agencies other than transactions for the District. The Firm is not representing any investment bank, placement agent or underwriter (or any other party other than the District) on this transaction.

12. **Primary Attorneys.** The primary attorney with responsibility for this representation will be Brian P. Forbath and Cyrus Torabi. The parties agree that the Firm is being retained based on the unique skill, experience, and expertise of Messrs. Forbath and Torabi and no change will be made in the primary attorney without the prior, written consent of the District.

WALNUT VALLEY WATER DISTRICT

By: \_\_\_\_\_  
General Manager

STRADLING YOCCA CARLSON & RAUTH

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

## EXHIBIT A

### SCOPE OF SERVICES

As bond counsel and disclosure counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation (the “**Firm**”), will undertake the following Scope of Services on the proposed transaction:

1. **Preparation of Legal Documents on Behalf of District.** Provide bond counsel services in connection with the proposed taxable refinancing of the Puente Basin Water Agency Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project), including but not limited to:

- advice and consultation with the General Manager, Assistant General Manager/Director of Finance, General Counsel and Board of Directors regarding the proposed issuance of bonds by the District, proposed financial covenants and the financing process;
- preparation of all legal proceedings of the District in connection with the proposed bond issuance;
- drafting various resolutions, documents and agreements for consideration by the Board of Directors;
- participating in meetings, hearings or negotiations with District staff, the Board of Directors, the District’s municipal advisor, underwriters, underwriters’ counsel and other financing team members as the circumstances require;
- review and negotiate a bond purchase contract prepared by counsel to the underwriter;
- prepare final closing documents to be executed by the District to effect delivery of bonds and coordinate the adoption and execution of all documents and of the closing; and
- deliver a final approving opinion with respect to the proposed obligations and a supplemental opinion to the underwriter with respect to the enforceability of the bond purchase contract and the accuracy of the summaries of certain transaction documents contained under specified captions in the official statement.

2. **Assistance in Preparation of Offering Documents on Behalf of District.** Provide disclosure counsel services in connection with the proposed refinancing of the Puente Basin Water Agency Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project), including but not limited to:

- prepare federal securities law disclosure policies and procedures for the District, if requested;

- conduct federal securities law disclosure training for District staff, if requested;
- draft a continuing disclosure undertaking compliant with Securities and Exchange Commission Rule 15c2-12;
- conduct a due diligence review of two years of Board of Directors meeting minutes;
- assist the District in the preparation of a preliminary official statement and final official statement; and
- deliver a final negative assurance letter to the underwriter pursuant to Securities and Exchange Commission Rule 10b-5.

3. **Fixed Fee Proposed.** In accordance with our proposal, the Firm proposes an all-inclusive not-to-exceed fee of **\$47,500** to serve as bond counsel (including the preparation of a transcript and the delivery of standard closing validity opinions) and disclosure counsel (including the preparation of a preliminary official statement and an official statement and the delivery of a standard negative assurance letter) for the taxable refinancing of the Puente Basin Water Agency Water Revenue Bonds, 2013 Series A (Walnut Valley Water District Project).

The above fee quotation will in all cases be contingent upon the issuance of the bonds. Moreover, the above fee quotation is inclusive of costs. The Firm does not propose to charge the District any amounts in addition to those set forth above for costs in connection with the bond financing, including travel to and from the District for appearances at one or more Board of Directors meetings and/or one or more working group conferences, but *excluding* travel to and from rating agency offices in San Francisco, if required.

April 2, 2021

**FROM:** Urban Futures, Inc.  
Michael Busch, CEO

**TO:** Brian Teuber  
Walnut Valley Water District  
271 S. Brea Canyon Road  
Walnut, Ca 91789

**RE:** Engagement Letter for Series 2021 Water Revenue Refunding Bonds (Taxable)

Dear Brian:

This letter specifies the terms of the engagement between Urban Futures, Inc., located at 17821 E. 17<sup>th</sup> Street, Suite 245, Tustin CA 92780, and Walnut Valley Water District located at 271 S. Brea Canyon Road, Walnut, CA 91789.

This engagement between Walnut Valley Water District (the "District") and Urban Futures, Inc. ("UFI") shall become effective as of the date of its acceptance as provided below.

**Scope of Municipal Advisory Activities to be Performed**

As Municipal Advisor, UFI will perform the following duties on behalf of the District, as needed.

- Assist in the coordination of financing between the District and the Puente Basin JPA;
- Assist in developing the plan of finance and related transaction timetable;
- Identify and analyze financing solutions and alternatives for funding the capital improvement plan or refunding;
- Advise on the method of sale, taking into account market conditions and near-term activity in the municipal market;
- Assist in the preparation of any rating agency strategies and presentations;
- Coordinate internal/external accountants, feasibility consultants and escrow agents, as appropriate;
- Assist with underwriter, bond and disclosure selection;
- Assist with underwriter and compensation issues, syndicate structure and bond allocations;

- Assist with negotiated sales, including advice regarding retail order periods and institutional marketing, analysis of comparable bonds and secondary market data, and review of cash flow calculations;
- Prepare and/or review preliminary cash flows/ preliminary refunding analysis;
- Analyze whether to use SLGS, open markets and/or agency securities for purposes of investment of bond proceeds;
- Manage the escrow bids or review SLGs applications for structuring refunding escrow;
- Assist in procuring printers, verification agents, etc.;
- Plan and coordinate bond closings;
- Prepare any required post-sale reports of bond sales; and
- Evaluate market conditions and pricing performance of senior manager and co-managers' distribution of bonds.

### **Independent Registered Municipal Advisor ("IRMA")**

If acting in the capacity of an Independent Registered Municipal Advisor ("IRMA") with regard to the IRMA exemption of the SEC Rule, Urban Futures, Inc. will review all third-party recommendations submitted to Urban Futures, Inc. in writing by the District.

### **Term of Engagement Agreement**

The commencement date of the agreement is April 2, 2021 and the end date is two years after the effective date, or the bond closing date of the subject transaction, whichever occurs first. Any extensions must be mutually agreed upon by all parties in writing.

### **Termination of Engagement Agreement**

The District may terminate the whole or any part of this Agreement at any time and without cause by giving sixty (60) days written notice to Urban Futures, Inc. of such termination, and specifying the effective date thereof. Urban Futures, Inc. shall discontinue all Services affected by such termination within thirty (30) days of receipt of such notice, unless otherwise instructed by the District in writing. Urban Futures, Inc. may terminate this agreement by giving the District sixty (60) days written notice.

In the event Services are terminated by the District, Urban Futures, Inc. will be compensated for services provided up to the termination date.

### **Compensation and Out-of-Pocket Expenses**

Compensation for the municipal advisory activities to be performed for this engagement is contingent upon the successful close of the bonds.

For the subject transaction, the fee for financial advisory services as included in our proposal is \$25,000. Expenses are estimated not to exceed \$1,250. Expense reimbursements will cover the following:

- Mandatory SEC/MSRB Compliance Requirements & Reporting
- Data Services (Bloomberg, Thompson Reuters, DBC)
- Travel (mileage, airfare, hotels, etc.)

### **Fiduciary Duty**

Urban Futures, Inc. is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission ("SEC") and Municipal Securities Rulemaking Board ("MSRB"). As such, Urban Futures, Inc. has a Fiduciary Duty to the District and must provide both a Duty of Care and a Duty of Loyalty that entails the following.

#### Duty of Care:

- a) exercise due care in performing its municipal advisory activities;
- b) possess the degree of knowledge and expertise needed to provide the District with informed advice;
- c) make a reasonable inquiry as to the facts that are relevant to the District's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the District; and
- d) undertake a reasonable investigation to determine that Urban Futures, Inc. is not forming any recommendation on materially inaccurate or incomplete information; Urban Futures, Inc. must have a reasonable basis for:
  - i. any advice provided to or on behalf of the District;
  - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the District, any other party involved in the municipal securities transaction or municipal financial product, or investors in the District securities; and
  - iii. any information provided to the District or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

#### Duty of Loyalty:

Urban Futures, Inc. must deal honestly and with the utmost good faith with the District and act in the District's best interests without regard to the financial or other interests of Urban Futures, Inc. Urban Futures, Inc. will eliminate or provide full and fair disclosure (included herein) to the District about each material conflict of interest (as applicable). Urban Futures, Inc. will not

engage in municipal advisory activities with the District as a municipal entity, if it cannot manage or mitigate its conflicts in a manner that will permit it to act in the District's best interests.

### **Conflicts of Interest and Other Matters Requiring Disclosures**

As of the date of the Agreement, there are no actual or potential conflicts of interest other than those identified below that Urban Futures, Inc. is aware of that might impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If Urban Futures, Inc. becomes aware of any potential conflict of interest that arises after this disclosure, Urban Futures, Inc. will disclose the detailed information in writing to the District in a timely manner.

The following are potential conflicts of interest to be considered:

- Urban Futures, Inc. represents that in connection with the issuance of municipal securities, Urban Futures, Inc. may receive compensation from the District for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, Urban Futures, Inc. hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding Urban Futures, Inc.'s ability to provide unbiased advice to enter into such transaction. This potential conflict of interest will not impair Urban Futures, Inc.'s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the District.
- It should be noted that other forms of compensation (i.e. hourly or fixed fee based) may also present a potential conflict of interest regarding Urban Futures, Inc.'s ability to provide advice regarding a municipal security transaction. These other potential conflicts of interest will not impair Urban Futures, Inc.'s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the District;
- The fee paid to Urban Futures, Inc. increases the cost of financing to the District. The increased cost occurs from compensating Urban Futures, Inc. for municipal advisory services provided;
- Urban Futures, Inc. serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another Urban Futures, Inc. client. For example, Urban Futures, Inc. serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the District. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, Urban Futures, Inc. could potentially face a conflict of interest arising from these competing client interests. Urban Futures, Inc. fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the District;



- Urban Futures, Inc. does not have any affiliate that provides any advice, service, or product to or on behalf of the client that is directly or indirectly related to the municipal advisory activities to be performed by Urban Futures, Inc.;
- Urban Futures, Inc. has not made any payments directly or indirectly to obtain or retain the District's municipal advisory business;
- Urban Futures, Inc. has not received any payments from third parties to enlist Urban Futures, Inc. recommendation to the District of its services, any municipal securities transaction, or any municipal finance product;
- Urban Futures, Inc. has not engaged in any fee-splitting arrangements involving Urban Futures, Inc. and any provider of investments or services to the District;
- Urban Futures, Inc. does not have any legal or disciplinary event that is material to the District's evaluation of the municipal advisory or the integrity of its management or advisory personnel;
- Urban Futures, Inc. does not act as principal in any of the transaction(s) related to this Agreement;
- Urban Futures, Inc. does not have any other engagements or relationships that might impair Urban Futures, Inc.'s ability either to render unbiased and competent advice to or on behalf of the District or to fulfill its fiduciary duty to the District; and
- During the term of the municipal advisory relationship, this agreement will be promptly amended or supplemented to reflect any material changes in or additions to the terms or information within this agreement and the revised writing will be promptly delivered to the District.

### **Legal Events and Disciplinary History**

Urban Futures, Inc. does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The District may electronically access Urban Futures, Inc.'s most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: [www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against Urban Futures, Inc., Urban Futures, Inc. will provide complete disclosure to the District in detail allowing the District to evaluate Urban Futures, Inc., its management and personnel.

### **Recommendations**

If Urban Futures, Inc. makes a recommendation of a municipal securities transaction or municipal financial product or if the review of a recommendation of another party is requested in writing

by the District and is within the scope of the engagement, Urban Futures, Inc. will determine, based on the information obtained through reasonable diligence of Urban Futures, Inc. whether a municipal securities transaction or municipal financial product is suitable for the District. In addition, Urban Futures, Inc. will inform the District of:

- the evaluation of the material risks, potential benefits, structure, and other characteristics of the recommendation;
- the basis upon which Urban Futures, Inc. reasonably believes that the recommended municipal securities transaction or municipal financial product is, or is not, suitable for the District; and
- whether Urban Futures, Inc. has investigated or considered other reasonably feasible alternatives to the recommendation that might also or alternatively serve the District's objectives.

If the District elects a course of action that is independent of or contrary to the advice provided by Urban Futures, Inc., Urban Futures, Inc. is not required on that basis to disengage from the District.

#### **Municipal Securities Rulemaking Board Rule G-10 Disclosure**

Pursuant to Municipal Securities Rulemaking Board Rule G-10, on Investor and Municipal Advisory Client Education and Protection, Municipal Advisors are required to provide certain written information to their municipal entity and obligated person clients which include the following:

- Urban Futures, Inc. is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission ("SEC") and Municipal Securities Rulemaking Board ("MSRB").
- Within the Municipal Securities Rulemaking Board ("MSRB") website at [www.msrb.org](http://www.msrb.org), the District may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.

#### **Record Retention**

Effective July 1, 2014, pursuant to the Securities and Exchange Commission (SEC) record retention regulations, Urban Futures, Inc. is required to maintain in writing, all communication and created documents between Urban Futures, Inc., and the District for 5 years.

If there are any questions regarding the above, please do not hesitate to contact Urban Futures, Inc. If the foregoing terms meet with your approval, please indicate your acceptance by executing both copies of this letter and returning one copy.

If the foregoing terms meet with your approval, please indicate your acceptance by executing both copies of this letter and returning one copy.

Sincerely,



Michael Busch, CEO,  
Urban Futures, Inc.

Walnut Valley Water District

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

Erik Hitchman  
General Manager  
Walnut Valley Water