



PALMDALE WATER DISTRICT

A CENTURY OF SERVICE

August 9, 2023

BOARD OF DIRECTORS

W. SCOTT KELLERMAN

Division 1

DON WILSON

Division 2

GLORIA DIZMANG

Division 3

KATHY MAC LAREN-GOMEZ

Division 4

VINCENT DINO

Division 5

AGENDA FOR REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT TO BE HELD AT 2029 EAST AVENUE Q, PALMDALE

MONDAY, AUGUST 14, 2023

6:00 p.m.

NOTES: To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Danielle Henry at 661-947-4111 x1059 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

Additionally, an interpreter will be made available to assist the public in making **comments** under Agenda Item No. 4 and any action items where public input is offered during the meeting if requested at least 48 hours before the meeting. Please call Danielle Henry at 661-947-4111 x1059 with your request. (PWD Rules and Regulations Section 4.03.1 (c))

Adicionalmente, un intérprete estará disponible para ayudar al público a hacer **comentarios** bajo la sección No. 4 en la agenda y cualquier elemento de acción donde se ofrece comentarios al público durante la reunión, siempre y cuando se solicite con 48 horas de anticipación de la junta directiva. Por favor de llamar Danielle Henry al 661-947-4111 x1059 con su solicitud. (PWD reglas y reglamentos sección 4.03.1 (c))

Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale or on the District's website at <https://www.palmdalewater.org/governance/board-activity/2023-meeting-agendas-minutes/> (Government Code Section 54957.5). Please call Danielle Henry at 661-947-4111 x1059 for public review of materials.

PUBLIC COMMENT GUIDELINES: The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the District to conduct its meeting will not be permitted, and offenders will be requested to leave the meeting. (PWD Rules and Regulations, Appendix DD, Sec. IV.A.)

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

- 1) Pledge of Allegiance/Moment of Silence.
- 2) Roll Call.
- 3) Adoption of Agenda.
- 4) Public comments for non-agenda items.

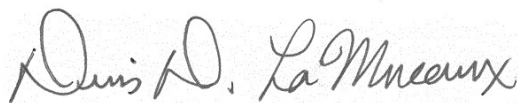
DENNIS D. LaMOREAUX
General Manager

ALESHIRE & WYNDER LLP
Attorneys



- 5) Presentations:
 - 5.1) None at This Time.
- 6) Action Items - Consent Calendar (The public shall have an opportunity to comment on any action item on the Consent Calendar as the Consent Calendar is considered collectively by the Board of Directors prior to action being taken.)
 - 6.1) Approval of Minutes of Regular Board Meeting held July 24, 2023.
 - 6.2) Payment of Bills for August 14, 2023.
 - 6.3) Adoption of Notice of Exemption for the Agreement Between Palmdale Water District and Kern County Water Agency/Homer, LLC for the Exchange and Banking of State Water Project Water Supplies. (Resource and Analytics Supervisor Bolanos)
 - 6.4) Approval of Agreement Between Palmdale Water District and Homer, LLC for the Exchange and Banking of State Water Project Water Supplies. (Resource and Analytics Supervisor Bolanos)
- 7) Action Items - Action Calendar (The public shall have an opportunity to comment on any action item as each item is considered by the Board of Directors prior to action being taken.)
 - 7.1) Consideration and Possible Action on Setting Palmdale Water District's Assessment Rates for Fiscal Year 2023-2024 and Adoption of Resolution No. 23-8 Being a Resolution of the Board of Directors of the Palmdale Water District Establishing Assessment Rates for Fiscal Year 2023-2024. (Finance Manager Hoffmeyer/Financial Advisor Egan)
 - 7.2) Consideration and Possible Action to Cast Ballot for Association of California Water Agencies (ACWA) President and Vice President Election for 2024-2025 Term. (No Budget Impact – General Manager LaMoreaux)
 - 7.3) Consideration and Possible Action to Cast Ballot for Association of California Water Agencies (ACWA) Region 8 Board Election for 2024-2025 Term. (No Budget Impact – General Manager LaMoreaux)
 - 7.4) Consideration and Possible Action on Authorizing Staff to Enter Into a Contract with the National Water Research Institute for Independent Advisory Services for the Capture6 Brine Demonstration Project. (\$76,108.00 – Not-to-Exceed – Budgeted – Work Order No. 23-419 – Engineering Manager Rogers)
 - 7.5) Consideration and Possible Action on Authorizing Staff to Enter Into a Contract with Hazen And Sawyer for Third-Party Review Services for the Capture6 Brine Management Demonstration Project. (\$65,000.00 – Not-to-Exceed - Budgeted – Work Order No. 23-419 – Engineering Manager Rogers)
 - 7.6) Consideration and Possible Action on Resolution No. 23-9 Being a Resolution of the Board of Directors of the Palmdale Water District Authorizing the Issuance by the Palmdale Water District Public Financing Authority of Water Revenue Bonds in an Aggregate Principal Amount Not to Exceed \$45,000,000 and Approving Certain Documents in Connection Therewith. (Finance Manager Hoffmeyer/Financial Advisor Egan/NHA Advisors)
 - 7.7) Adjourn to Palmdale Water District Public Financing Authority Board Meeting. (President Wilson)

- 7.8) Consideration and Possible Action on Authorization of the Following Conferences, Seminars, and Training Sessions for Board and Staff Attendance Within Budget Amounts Previously Approved in the 2023 Budget:
 - a) None at This Time.
- 8) Information Items:
 - 8.1) Reports of Directors:
 - a) Standing Committees; Organization Appointments; Agency Liaisons:
 - 1) Antelope Valley East Kern Water Agency (AVEK) – July 25 & August 8. (Director Dino, Board Liaison/Director Mac Laren-Gomez, Alt.)
 - 2) Outreach Committee Meeting – July 25. (Director Mac Laren-Gomez, Chair/Director Dizmang)
 - 3) Special District Association North Los Angeles County (SDANLAC) Board Meeting – August 9. (Director Dino, CSDA Chapter Chair/Director Dizmang)
 - 4) Antelope Valley State Water Contractors Association (AVSWCA) Meeting – August 10. (President Wilson/Director Mac Laren-Gomez/Director Kellerman, Alt.)
 - b) General Meetings Reports of Directors.
 - 8.2) Report of General Manager.
 - a) Department Activity Updates:
 - 1) Resource and Analytics Department. (Resource and Analytics Supervisor Bolanos)
 - 2) Information Technology Department. (Information Technology Manager Stanton)
 - 8.3) Report of General Counsel.
- 9) Board Members' Requests for Future Agenda Items.
- 10) Adjournment.



DENNIS D. LaMOREAUX,
General Manager

DDL/dh

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: August 8, 2023 **August 14, 2023**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mrs. Claudia Bolanos, Resource and Analytics Supervisor
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 6.3 – ADOPTION OF NOTICE OF EXEMPTION FOR THE AGREEMENT BETWEEN PALMDALE WATER DISTRICT AND KERN COUNTY WATER AGENCY/HOMER, LLC FOR THE EXCHANGE AND BANKING OF STATE WATER PROJECT WATER SUPPLIES. (RESOURCE AND ANALYTICS SUPERVISOR BOLANOS)***

Recommendation:

Staff recommends that the Board adopt the Notice of Exemption (NOE) for the exchange and banking of State Water Project water supplies with Kern County Water Agency/Homer, LLC and authorize staff to submit the NOE to the Kern County Clerk and to the State Clearinghouse through CEQA submit.

Background:

Staff has prepared a draft agreement with Homer, LLC to exchange and bank water in the Kern County Water Agency jurisdiction. The exchange and banking of State Water Project water supplies will be using existing State Water Project facilities which allows the Agreement to qualify for a Notice of Exemption under the exempt status of Categorical Exemption. The State type and section number for the Categorical Exemption are Class 1(b), Section 15301.

Strategic Plan Element:

This work is part of Strategic Initiative 1 – Water Resource Reliability.

Supporting Documents:

- Kern County Clerk CEQA Transmittal Memorandum
- Notice of Exemption to County of Kern

CEQA
Transmittal Memorandum for 2023

Attach one transmittal memorandum to the front of the original CEQA document. Clip copies in back.

- 1) If notice requires F&W receipt, you must provide a minimum of 3 copies of the document.
- 2) If notice does not require F&W receipt, you must provide a minimum of 2 copies of the document.

TYPE OR PRINT CLEARLY

LEAD AGENCY Palmdale Water District

PROJECT TITLE Exchange and Banking of Water Supplies - Palmdale Water District and Kern County Water Agency

PROJECT APPLICANT Palmdale Water District

PHONE NUMBER (661) 456-1092

PROJECT APPLICANT ADDRESS 2029 East Avenue Q

CITY Palmdale STATE CA ZIP CODE 93550

WORK ORDER # _____ 30-Day Posting 35-Day Posting 45-Day Posting Other _____

CONTACT PERSON Claudia Bolanos PHONE NUMBER (661) 456-1092

CHECK DOCUMENT BEING FILED:

Notice of Availability.....No Fee

Notice of Intent.....No Fee

Notice of Preparation.....No Fee

Notice of Public Hearing.....No Fee

Other _____.....No Fee

Environmental Impact Report (EIR).....\$3839.25

Previously paid F&W (**must attach F&W receipt**) F&W Receipt Number# _____

DFG No Effect Determination (**F&W letter must be attached**).....No Fee

County Administrative Fee.....\$50.00

Mitigated Negative Declaration or Negative Declaration.....\$2764.00

Previously paid F&W (**must attach F&W receipt**) F&W Receipt Number# _____

DFG No Effect Determination (**F&W letter must be attached**).....No Fee

County Administrative Fee.....\$50.00

Notice of Exemption.....No Fee

County Administrative Fee.....\$50.00

TOTAL \$ 50.00

*Additional copies to be returned to: Palmdale Water District

*Method of return: Hold for pick-up/Call # _____

Interoffice Mail

PAYMENT METHOD: ALL APPLICABLE FEES MUST BE PAID AT THE TIME OF FILING

JV - Trans Code _____ Dept _____ Fund _____ Expense Key _____

Money Order

Check

**Return envelope included for final copy.

Notice of Exemption

Appendix E

To: Office of Planning and Research
P.O. Box 3044, Room 113
Sacramento, CA 95812-3044
County Clerk
County of: Kern
1115 Truxtun Ave
Bakersfield, CA 93301-4639

From: (Public Agency): Palmdale Water District
2029 East Ave Q
Palmdale, CA 93550
(Address)

Project Title: Exchange and Banking of Water Supplies-Palmdale Water District and Kern County Water

Project Applicant: Palmdale Water District

Project Location - Specific: Palmdale Water District(PWD) and Kern County Water Agency(KCWA) are both State Water Project (SWP) contractors. PWD is located in Los Angeles County and AVEK in Los Angeles and Kern Counties.

Project Location - City: Various Project Location - County: Kern, Los Angeles

Description of Nature, Purpose and Beneficiaries of Project: PWD will exchange up to 15,000 AF of PWD's 2023 Table A allocation with KCWA. The water will be delivered for the beneficial use of KCWA's customers. In exchange prior to 12/1/2027 KCWA will repay PWD one AF of water for every two AF delivered via this exchange. All water will be delivered using existing SWP Facilities.

Name of Public Agency Approving Project: PWD, KCWA and Department of Water Resources

Name of Person or Agency Carrying Out Project: PWD, KCWA and Department of Water Resources

Exempt Status: (check one):

- Ministerial (Sec. 21080(b)(1); 15268);
Declared Emergency (Sec. 21080(b)(3); 15269(a));
Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
Categorical Exemption. State type and section number: Class 1(b), Section 15301
Statutory Exemptions. State code number:

Reasons why project is exempt:
1. The exchange between PWD and KCWA will use existing SWP facilities only.
2. KCWA is serving existing customers and land uses with this exchange water.
3. PWD does not have an intended use for the water being exchanged, during the relevant time period.

Lead Agency
Contact Person: Claudia Bolanos Area Code/Telephone/Extension: (661) 456-1092

If filed by applicant:

- 1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project? Yes No

Signature: Claudia Bolanos Date: 08/08/2023 Title: Resource and Analytics

Signed by Lead Agency Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code. Date Received for filing at OPR:
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: August 8, 2023 **August 14, 2023**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mrs. Claudia Bolanos, Resource and Analytics Supervisor
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 6.4 – APPROVAL OF AGREEMENT BETWEEN PALMDALE WATER DISTRICT AND HOMER, LLC FOR THE EXCHANGE AND BANKING OF STATE WATER PROJECT WATER SUPPLIES. (RESOURCE AND ANALYTICS SUPERVISOR BOLANOS)***

Recommendation:

Staff recommends that the Board approve the proposed agreement with Homer, LLC for the exchange and banking of State Water Project water supplies.

Background:

Staff has evaluated water availability in 2023 and has determined that it is in PWD's benefit to partake in an exchange and banking of our State Water Project water supplies to maximize our take of available State Water Project water this year and to allow for more water availability in future years.

The Agreement entails the banking of 7,500 AF this year within Kern County, the exchange of 7,500 AF this year to Homer, LLC, and the return into PWD service area of 7,500 AF (minus a 10% leave behind) before December 31, 2027.

This banking and exchange agreement is a great way for PWD to take advantage of wet years, like 2023, and bank water to be better prepared for future dry years.

Strategic Plan Element:

This work is part of Strategic Initiative 1 – Water Resource Reliability.

Supporting Documents:

- Agreement for Exchange and Banking of Water Supplies
- Agreement for Participation in the Stored Water Recovery Unit of the Semitropic Water Banking and Exchange Program

**AGREEMENT FOR
EXCHANGE AND BANKING
OF WATER SUPPLIES**

THIS AGREEMENT FOR EXCHANGE AND BANKING OF WATER SUPPLIES (**Agreement**) is made and effective as of _____, 2023 (**Effective Date**) by and between PALMDALE WATER DISTRICT, a public agency organized and existing under the provisions of the California Water Code (**District**), and HOMER, LLC, a Delaware limited liability company (**HOMER**). The District and HOMER are sometimes hereinafter individually referred to as “Party” and hereinafter collectively referred to as the “Parties.”

R E C I T A L S

A. District holds a contract with the California Department of Water Resources (**DWR**) for water supplies from the State Water Project (**SWP Water**). While the point of delivery for District’s SWP Water is within the District’s boundaries in the Antelope Valley, District may transfer its SWP Water in place in San Luis Reservoir with the approval of DWR.

B. HOMER participates in a groundwater banking project owned and operated by Semitropic Water Storage District (**Semitropic**) located in the San Joaquin Valley known as that District’s Stored Water Recovery Unit (**SWRU**). A copy of HOMER’s agreement with Semitropic governing HOMER’s participation in the SWRU is attached as **Exhibit A (SWRU Participation Agreement)**. The SWRU Participation Agreement provides Homer with 5,000 AF of first priority recharge capacity, 15,000 AF of storage capacity, and 5,000 AF of first priority recovery capacity (hereinafter collectively referred to as **First Priority Recovery Capacity**). From time to time, Semitropic also allocates to HOMER additional recovery capacity not being used by others (**Second Priority Recovery Capacity**). HOMER may have, from time to time, recharge and recovery capacity in the SWRU available for the benefit of the District for recharge and storage of District’s surplus SWP Water. Additionally, in coordination with Semitropic, as a landowner within Berrenda Mesa Water District (**Berrenda Mesa**) HOMER may also have, from time to time, recharge and recovery capacity in groundwater banking projects in which that District participates (e.g., Pioneer Project and Berrenda Mesa Project). To be clear HOMER, at its sole and absolute discretion, may utilize its capacity in Semitropic, the Pioneer Project, and the Berrenda Mesa Project to effect the Transaction as defined below.

C. District and HOMER have determined that it is in their mutual best interest for District and HOMER to share HOMER’S recharge and recovery capacity in the SWRU and through Berrenda Mesa to enable District to store its surplus SWP Water (**Transaction**).

D. District has concluded that entering into this Agreement is exempt from the requirements of the California Environmental Quality Act (**CEQA**) as a project that provides for the exchange and storage of water utilizing only existing facilities and only within existing places of use.

01184.0001/904408.1

THEREFORE, the parties agree as follows:

A G R E E M E N T

ARTICLE I DEFINITIONS

1.01 Definitions. Terms used in this Agreement not otherwise defined shall have the following meanings:

- (a) **“AF”** means acre feet (or acre foot) of water.
- (b) **“Exchange Water”** means District 2023 SWP Water in San Luis Reservoir (SWPAO #****).
- (c) **“Recharge Water”** means District 2023 SWP Water delivered to HOMER for storage in the SWRU or through Berrenda Mesa.
- (d) **“Return Water”** means Recharge Water stored in the SWRU or through Berrenda Mesa by HOMER on behalf of District after taking into account storage losses as provided under, as the case may be, the SWRU Participation Agreement or the particular Berrenda Mesa banking project.
- (e) **“Recovery Capacity”** means that capacity made available by Homer to District from the SWRU or through Berrenda Mesa on behalf of District after taking into account any recovery capacity required by Homer to service its long-term water supply agreements executed and effective prior to the date of this Agreement. Homer shall provide notice to District no later than May 1 of each year the volume of annual and monthly Recovery Capacity available.
- (f) **“SWP Conveyance and Storage Rights”** means all existing rights of the District to convey, store, and/or carryover SWP Water in any facility, including the California Aqueduct and San Luis Reservoir. SWP Conveyance and Storage Rights as defined herein are a pro rata portion of all of District’s existing rights to schedule, convey, store, and/or carryover SWP Water, to be enjoyed and shared in common with all such rights District reserves to itself and in proportion to the amount of SWP Water that District, in any given year, does not provide to HOMER under this Agreement, and do not include any rights of District to other capacity above and beyond what is available to manage Exchange Water.
- (g) **“SWP Water”** means water made available to District under its long-term water supply contract with DWR (SWPAO #*****).

- (h) “Year” means a calendar year.

ARTICLE II WATER BANKING

2.01 Water Banking. District shall deliver up to 7,500 AF, or an amount as otherwise mutually agreed in writing, of Recharge Water to HOMER at the SWRU, or other mutually agreeable location, for recharge and storage in HOMER’s projects, using HOMER’s capacity, subject to the availability of such capacity, in HOMER’s sole discretion. District shall deliver all Recharge Water by February 1, 2024. District bears the risk that not all 7,500 AF of Recharge Water may be delivered to the SWRU by February 1, 2024. HOMER may timely direct some or all Recharge Water under this section 2.01 to water banking projects and/or operational exchanges in which HOMER owns, controls, or participates instead of the SWRU so long as that direction does not adversely impact District’s rights and obligations under this Agreement, including increasing any District cost attributable to HOMER’s storage instead of in the SWRU. In that event, District shall pay actual costs associated with storing the Recharge Water in projects in which Berrenda Mesa participates, but no more than what District would have paid if HOMER had stored the Recharge Water in the SWRU.

2.02 Return of Recharge Water. For every one AF of Recharge Water actually delivered by District and recharged by HOMER under this Agreement, HOMER shall return 0.9 AF of Return Water to District, which reflects the leave behind requirement under the SWRU Participation Agreement. For example, if District actually delivers all 7,500 AF of Recharge Water to the SWRU, then HOMER’s obligation under this section 2.02 shall be 6,750 AF of Return Water. However, if District actually delivers only 6,000 AF of Recharge Water to the SWRU, then HOMER’s obligation shall be 5,400 AF of Return Water.

2.03 Recovery of Return Water. Beginning March 1, 2024, and in any given year during the Term, HOMER shall cause the recovery of Return Water as directed by District, subject to HOMER’s existing contractual obligations. HOMER will make Recovery Capacity available to the District based upon HOMER’s recovery capacity under the SWRU Participation Agreement. HOMER, at its sole and absolute discretion, may fulfill its obligation to recover the Return Water for the District through Berrenda Mesa, or any other HOMER project, instead of the SWRU. In that event, District shall pay actual costs associated with recovering the Return Water from projects in which Berrenda Mesa and/or Homer participates, but no more than what District would have paid if HOMER had recovered the Return Water from the SWRU. HOMER’s recovery capacity under the SWRU Participation Agreement, which will be used to quantify the allocation of Recovery Capacity between HOMER and District, regardless whether HOMER chooses to recover the water from the SWRU or projects in which Berrenda Mesa participates, is as follows:

- (a) Subject to Homer’s existing contractual obligations, District will be allocated an annual volume of HOMER’s Recovery Capacity equal to one-third of the final volume of Return Water stored by District under section 2.02 above.

Semitropic allocates recovery capacity on a monthly basis throughout the year. On a monthly basis, Recovery Capacity will be allocated to District as follows:

Monthly Recovery Capacity allocated to District (AF / month) = $((0.3333 \times \text{final volume of stored Recharge Water}) / \text{Recovery Capacity}) \times \text{Recovery Capacity allocated by HOMER to District in the subject month}$.

For example: If the District has 3,000 AF of Return Water in the SWRU account, and Homer has allocated to the District 5,000 AF of Recovery Capacity, and Homer has allocated 400 AF of Recovery Capacity in the month of May, then the portion of that recovery capacity allocated to the District would be:

$((0.3333 \times 3,000) / 5,000) \times 400 = 80$ AF of recovery allocated to the District in the month of May.

Additionally, District shall be allocated any remaining portion of HOMER's Recovery Capacity not then being used by Homer.

(b) District will also be allocated a pro rata share of any unused Recovery Capacity. On a monthly basis, unused Recovery Capacity will be allocated to District according to the following formula:

Monthly unused Recovery Capacity allocated to District (AF / month) = $((0.3333 \times \text{final volume of stored Recharge Water}) / \text{Recovery Capacity}) \times \text{any Second Priority Recovery Capacity allocated by Semitropic to Homer in the subject month}$.

Additionally, District shall be allocated any remaining portion of Homer's unused Recovery Capacity not then being used by Homer.

District's exercise of its rights under this Agreement, including District's recovery rights, must comply with and follow any applicable terms, limitations, noticing, scheduling, and reporting requirements under, as the case may be, the SWRU Participation Agreement or the particular project in which HOMER and/or Berrenda Mesa participates where HOMER stored Recharge Water.

District shall notify HOMER in writing (**Return Water Recovery Notice**) of the volume of Return Water District has determined to recover, and its timing. Any Return Water Recovery Notice must be given to HOMER before April 1 of each Year for Return Water to be recovered in that Year. District and HOMER may mutually agree in writing to extend that date, but any extension will apply only to the subject year and will not modify this section for future years. District must recover all Return Water by December 31, 2027 when this Agreement terminates. Upon

01184.0001/904408.1

termination of this Agreement and following 30 days' written notice from HOMER to District, any remaining Return Water stored under this Agreement will be deemed abandoned by District and permanently transferred to HOMER.

2.04 Delivery of Return Water. District is solely responsible for conveyance of Return Water following its recovery from the place of storage to its place of use as determined by District, including all costs and fees.

2.05 SWRU and Berrenda Mesa Costs. HOMER shall pay, or cause to be paid, when due all fees and costs charged under the SWRU Participation Agreement or by the particular Homer and/or Berrenda Mesa project attributable to recharge of Recharge Water, and storage and recovery of Return Water. District shall reimburse HOMER those amounts within 30 days of invoice.

As of the Effective Date, for purposes of disclosure and without limiting or modifying these fees and costs, the fees for the SWRU are:

- \$13 / AF one-time recharge fee
- \$94 / AF one-time recovery fee
- \$85 / AF one-time energy costs for recovery
- \$5 / AF / year annual storage fee
- All fees and costs except energy costs are escalated according to the Consumer Price Index, All Urban Consumers, All Items Index, Western Cities with populations between 50,000 and 1,500,000.

Berrenda Mesa charges actual costs for banking operations which are based upon energy requirements to move water from the California Aqueduct to the projects in which it participates and also the energy requirements to pump the wells that recover the water from storage projects and move the water back to the California Aqueduct. As of the Effective Date, for purposes of disclosure and without limiting or modifying these fees and costs, the estimated costs for the projects in which Berrenda Mesa participates are:

- \$25 / AF energy costs for recharge
- \$77 / AF energy costs for recovery

2.06 Accounting. HOMER shall maintain and render to District by January 31 of each year an annual accounting of all Return Water in storage showing the volume of Return Water remaining in storage and the project where that water is stored. Unless District objects to the accounting within 30 days of receipt, then the subject accounting will conclusively deemed to be accurate.

ARTICLE III EXCHANGE OF WATER

3.01 Exchange of Water. For every one AF of Recharge Water delivered by District to HOMER under section 2.01 above, District shall make available for delivery one AF of Exchange Water to HOMER in San Luis Reservoir by February 1, 2024.

3.02 Delivery of Exchange Water. HOMER shall provide written direction to District (**Exchange Water Directive**) providing any necessary information that will facilitate delivery of the subject Exchange Water from San Luis Reservoir to HOMER or its affiliates. HOMER will have the sole and exclusive right to direct the disposition of Exchange Water in accordance with the applicable deadlines, requirements and restrictions imposed by any third party with the authority to impose such deadlines, requirements and restrictions. Upon receipt of an Exchange Water Directive from HOMER, District shall cooperate in good faith with HOMER to deliver, or cause the delivery of, the subject Exchange Water as directed by HOMER. District's delivery obligations under this Article III includes allowing HOMER to utilize any SWP Conveyance and Storage Rights associated with Exchange Water that District could have utilized in connection therewith had District controlled that Exchange Water. Notwithstanding any other provision of this Agreement, HOMER will be solely responsible for making any arrangements necessary to deliver, convey, store or otherwise dispose of any Exchange Water. HOMER shall either pay when due or reimburse District within 30 days of invoice for all costs attributable to the delivery of Exchange Water as directed by HOMER.

ARTICLE IV TERM

4.01 Term. The term of this agreement will begin on the Effective Date and expire on December 31, 2027 (**Term**).

ARTICLE V INDEMNITIES

5.01 Indemnity. Each party (**Indemnitor**) shall indemnify, defend and hold the other (**Indemnitee**) harmless against any claim or suit for personal injury or death, including claims by employees for indemnification, or damage to real or personal property (and indemnify it for any resulting damage, loss, settlement costs, judgments or expenses, including legal fees), to the extent caused by (i) a breach by the Indemnitor of any covenant, representation or warranty under this Agreement or (ii) the negligence or misconduct of the Indemnitor or its agents in performing or attempting to perform any of its obligations under this Agreement. Each party's obligations hereunder will survive the expiration or earlier termination of this Agreement.

ARTICLE VI APPROVALS AND ENVIRONMENTAL REVIEW

6.01 Approvals. District and HOMER shall cooperate with each other to obtain any licenses, permits, and approvals, including those required by DWR and the Kern County Water Agency, which are required to effectuate the transactions contemplated by this Agreement. These

01184.0001/904408.1

approvals are a condition precedent to the obligations of District and HOMER under this Agreement.

6.02 Environmental Review. District and HOMER will share equally in the cost of any required environmental review under CEQA.

ARTICLE VII FORCE MAJEURE

7.01 Effect of Force Majeure Event. The parties' respective obligations under this Agreement or under any arrangement for delivery of water hereunder shall be temporarily suspended to the extent performance is prevented by any flood, earthquake, failure of any facility not owned by District or HOMER, acts of God (other than drought), governmental or court actions, and other events which are beyond the reasonable control of, and have not been caused or contributed to by District or HOMER (**Force Majeure Event**). The party affected by a Force Majeure Event shall provide notice thereof within 15 calendar days of the commencement of the Force Majeure Event, and if it fails to deliver timely notice, the date of the commencement of the Force Majeure Event shall be deemed to have occurred no earlier than 15 calendar days prior to the date notice is delivered. The parties shall cooperate to implement a cure to the Force Majeure Event. The total duration of all Force Majeure Event caused suspensions will be summed and the termination of the agreement will be extended and the deadline for recovery of Return Water shall be extended by that summed total.

ARTICLE VIII REPRESENTATIONS, WARRANTIES AND COVENANTS

8.01 Representations, Warranties and Covenants. Each party represents, warrants and covenants to the other that:

(a) It is duly formed, validly existing and in good standing under the laws of the State of California and has full power and authority to conduct its business as presently conducted and to enter into and perform this Agreement and to carry out the transactions contemplated by this Agreement.

(b) The execution, delivery and performance of this Agreement: (i) will not conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute (with or without notice or lapse of time, or both) a default under or a violation of (A) such party's articles of organization, (B) any indenture, loan or credit agreement, note agreement, deed of trust, mortgage, security agreement or other agreement, lease or other instrument, commitment or arrangement to which such party is a party or by which any of its properties, assets or rights are bound or affected, or (C) any decree, judgment, order, statute, rule or regulation applicable to such party; and (ii) will not result in the imposition of any lien or other encumbrance on any property, asset or right held by such party. It is not in violation of, or (with or without notice or lapse of time or both) in default

under, any term or provision of any indenture, loan or credit agreement, note agreement, deed of trust, mortgage, security agreement or other agreement, lease or other instrument, commitment or arrangement to which it is a party or by which any of the properties, assets or rights are bound or affected that would have a material adverse effect upon the transaction contemplated hereby. Such party is aware of no reason why it cannot fully and timely perform under this Agreement.

(c) To the best knowledge of each party, as of the date of this Agreement no litigation, including any arbitration, audit, investigation or other proceeding of or before any court, arbitrator or governmental or regulatory authority is pending or, threatened, involving the water rights or storage rights that are the subject of this Agreement, or any other matter that could affect its ability to perform under this Agreement. Such party is not a party to or subject to the provisions of any judgment, order, writ, injunction, decree or award of any court, arbitrator or governmental or regulatory official, body or authority that would interfere with its obligations under this Agreement.

(d) No statement by such party contained in this Agreement and no written statement furnished by such party or any officer, employee, director, counsel or other agent of such party pursuant to or in connection with this Agreement contains or will contain any untrue statement of a material fact or will omit to state a material fact necessary in order to make the statements therein contained not misleading. There is no fact that adversely affects, or in the future might reasonably be expected to adversely affect the condition (financial or otherwise), operations (present or prospective), business (present or prospective), properties, assets or liabilities of such party that is not set forth in this Agreement or any exhibit thereto.

(e) Such party shall maintain adequate facilities, personnel and resources to meet its obligations under this Agreement.

(f) All actions of such party and its directors required in order to execute, deliver and fully perform this Agreement have been taken and remain in effect.

8.02 Survival. Except as otherwise expressly provided in this Agreement, all representations, warranties, covenants and agreements of the parties contained in this Agreement shall be considered material and shall be effective and survive the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby notwithstanding any investigation of the matters covered thereby by or on behalf of any party benefited by any such representation, warranty, covenant or agreement or any knowledge (actual or constructive) on the part of any party benefited by any such representation, warranty, covenant or agreement as to the truth or accuracy (or falseness or inaccuracy) thereof.

ARTICLE IX MISCELLANEOUS

9.01 Entire Agreement. This Agreement represents the entire agreement of the parties with respect to the subject matter hereof. All understandings and agreements heretofore had between the parties respecting this transaction, including without limitation, any offers, counteroffers or letters of intent, are merged in this Agreement, which fully and completely expresses the agreement of the parties. There are no representations, warranties, covenants or agreements except as specifically and expressly set forth herein.

9.02 Waiver. The waiver by one party of the performance of any covenant, condition or promise shall not invalidate this Agreement nor shall it be considered a waiver by such party of any other covenant, condition or promise hereunder. The waiver by either or both parties of the time for performing any act shall not constitute a waiver of the time for performing any other act or identical act required to be performed at a later time. The exercise of any remedy provided by law and the provisions of this Agreement for any remedy shall not exclude other consistent remedies unless they are expressly excluded.

9.03 Amendment. No change in or addition to this Agreement or any part hereof shall be valid unless in writing and signed by or on behalf of the party charged therewith.

9.04 Assignment. This Agreement shall be binding upon and inure to the benefit of the permitted successors and assigns of the parties. HOMER may at any time and from time to time assign any or all of its rights under this Agreement. HOMER shall inform the District in writing within 30 days of any or all assignment of its rights under this Agreement.

9.05 Expenses of this Agreement. Each of the parties shall pay its own attorneys' fees and expenses incident to the negotiation, preparation, execution, delivery and performance of this Agreement, except as expressly set forth herein.

9.06 Construction. The language in all parts of this Agreement shall be in all cases construed simply according to its fair meaning and not strictly for or against any of the parties hereto, and Section 1654 of the Civil Code has no application to interpretation of this Agreement. Headings at the beginning of Sections, paragraphs and subparagraphs of this Agreement are solely for the convenience of the parties, are not a part of this Agreement and shall not be used in construing it. The preamble, recitals and all exhibits and schedules to this Agreement are part of this Agreement and are incorporated herein by this reference. Whenever the singular number is used in this Agreement, the same shall include the plural, and the plural shall include the singular, and the masculine gender shall include the feminine and neuter genders and vice versa. Unless otherwise required by the context (or otherwise provided herein): the words "herein," "hereof" and "hereunder" and similar words refer to this Agreement generally and not merely to the provision in which such term is used; the words "including," "include" or "includes" shall be interpreted in a non-exclusive manner as though the words "but [is] not limited to" or "but without limiting the generality of the foregoing" immediately followed the same; and the word "month" shall mean

01184.0001/904408.1

calendar month. If the day on which performance of any act or the occurrence of any event hereunder is due is not a business day, the time when such performance or occurrence shall be due shall be the first business day occurring after the day on which performance or occurrence would otherwise be due hereunder. All times provided in this Agreement for the performance of any act will be strictly construed, time being of the essence of this Agreement.

9.07 Notices. All notices or other communications of any kind to be given hereunder shall be in writing and sent (i) via a method capable of being traced (mailed postage prepaid via the U.S. Postal Service certified or registered mail, return receipt requested, or delivered by a nationally-recognized overnight delivery service (e.g., Federal Express, UPS)), (ii) by facsimile (electronically confirmed) or (iii) by electronic mail with confirmation of receipt. Notices shall be deemed received upon the first attempted delivery by the U.S. Postal Service, or a nationally recognized overnight delivery service, or upon confirmed transmission of the facsimile or confirmed receipt of electronic mail before 5 p.m. (in the recipient's time zone) on any business day, or, if transmission is after 5 p.m. (in the recipient's time zone), on the next business day. Notice by facsimile or electronic mail shall be deemed to have occurred if it is accompanied by transmission of the notice by any of the methods described in clause (i) of the first sentence of this Section 10.07 or the receipt of the facsimile or electronic mail is acknowledged in writing (including by responsive electronic mail) by the recipient. Notices shall be sent to the following addresses or such other address as any party shall designate in writing:

If to District: Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550
Attn: Claudia Bolanos
Email address: cbolanos@palmdalewater.org

If to HOMER Homer, LLC
5701 Truxtun Ave. Suite 201
Bakersfield, CA 93309
Attn: Eric Averett
Email address: eaverett@renewablegroup.com

9.08 Counterparts. This Agreement may be executed in any number of counterparts. Each such counterpart hereof shall be deemed to be an original instrument but all such counterparts together shall constitute but one agreement. Facsimile and electronic signatures shall be binding.

9.10 Governing Law. This Agreement will be governed by and construed under the laws of the State of California without regard to conflicts of law principles, with venue for any action proper only in Kern County.

9.11. Further Assurances. From time to time and at any time after the execution and delivery hereof, each of the parties, at their own expense, shall execute, acknowledge and deliver any further instruments, documents and other assurances reasonably requested by another party, and shall take any other action consistent with the terms of this Agreement that may reasonably be requested by another party to evidence or carry out the intent of or to implement this Agreement. The parties shall cooperate with each other, as reasonably requested by either party, in preparing and filing on such schedule as shall reasonably be specified by the requesting party all information and documents deemed necessary or desirable by the requesting party under any statutes or governmental rules or regulations pertaining to the transactions contemplated by this Agreement.

9.12. Attorney's Fees. If either party to this Agreement is required to initiate, defend or made a party to any action or proceeding in any way connected with this Agreement, the prevailing party in such action or proceeding, in addition to any other relief which may be granted, shall be entitled to reasonable attorneys' fees, whether or not the matter proceeds to judgment.

9.13. Corporate Authority. The persons executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which said party is bound.

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

PALMDALE WATER DISTRICT

HOMER LLC

By: _____
Its: _____

By: _____
Its: _____

**AGREEMENT BETWEEN
HOMER, LLC AND
SEMITROPIC WATER STORAGE DISTRICT AND ITS
IMPROVEMENT DISTRICTS FOR PARTICIPATION IN THE STORED WATER
RECOVERY UNIT OF THE
SEMITROPIC WATER BANKING AND EXCHANGE PROGRAM**

THIS AGREEMENT (this "Agreement"), dated as of January 17 2013, having an effective date of **October 1, 2012**, is entered into by and between HOMER, LLC ("Participant") and the **SEMITROPIC WATER STORAGE DISTRICT** and **SEMITROPIC IMPROVEMENT DISTRICT**, **BUTTONWILLOW IMPROVEMENT DISTRICT** and **POND-POSO IMPROVEMENT DISTRICT** of the **SEMITROPIC WATER STORAGE DISTRICT** (collectively called "**Semitropic**"). Participant and Semitropic may be referred to individually as Party or collectively as Parties.

RECITALS

A. Participant is a limited liability company formed pursuant to California law for the purpose of acquiring water supplies. Participant wishes to acquire water supplies as described in this Agreement to be made available to its members in accordance with Participant's governing documents.

B. Semitropic Water Storage District and its improvement districts are organized under the laws of the State of California under the Water Storage District Law at Division 14 of the California Water Code. As more particularly described below, Semitropic, among other things, supplies imported supplemental surface water to certain of its landowners and water users and has ongoing groundwater banking programs with other entities.

C. Semitropic obtains water from the SWP through its contracts with the Kern County Water Agency ("**Agency**") under the Agency's master contract with DWR, executed on

November 15, 1963, and presently providing for a total contract entitlement of 998,730 AF per year. Semitropic's contracts with the Agency were originally executed December 9, 1976 (Buttonwillow Improvement District), December 9, 1976 (Pond-Poso Improvement District), and January 9, 1969 (Semitropic Water Storage District) and provided for a combined contract entitlement of 158,000 AF per year. This later amount was reduced to 155,000 AF by the contract amendments required to implement the Kern Water Bank exchange under the Monterey Agreement. Semitropic Improvement District was formed in 1991, and its boundaries are coterminous with the boundaries of Buttonwillow Improvement District and Pond Poso Improvement District and, among other things, it serves as agent for Buttonwillow Improvement District and Pond-Poso Improvement District. A total of approximately 149,200 acres of land within Semitropic is irrigated with a total annual demand of approximately 522,000 AF based on current cropping patterns and irrigation practices. Semitropic has entered into contracts with individual landowners comprising 42,328 acres of land which is designated as the Surface Water Service Area ("SWSA"). Semitropic has commitments to deliver 145,240 AF per year to the SWSA. Additional lands outside the SWSA, in the amount of approximately 24,500 acres, have also been connected to Semitropic's distribution system so such lands may receive surface water when available. These additional lands are designated as the Temporary Water Service Area ("TWSA"), and may sometimes be referred to as the Non-Contract Service Area. Total landowner demand within the SWSA and TWSA for surface water supplies is greater than water available under Semitropic's entitlement for Agency SWP water and other surface water supplies.

D. Consistent with the California Environmental Quality Act ("CEQA"), Semitropic, acting as lead agency completed an environmental impact report (the "EIR") concerning a water banking and exchange program (the "**Original Banking Program**"). Semitropic's Board of Directors, on July 13, 1994, certified the EIR as being in compliance with CEQA. Semitropic is also responsible for implementing and monitoring the mitigation measures defined in "Findings and Mitigation Monitoring Plan" dated July 1994, adopted as part of the EIR.

E. Semitropic also entered into a Memorandum of Understanding ("MOU") with neighboring districts, dated September 14, 1994, to implement in part said monitoring and

mitigation measures, which this Agreement is subject to. The MOU is on file with Semitropic and has been provided to Participant.

F. The Original Banking Program has a defined total storage capacity of 1,000,000 AF. As part of the Original Banking Program, Semitropic entered into water banking and exchange Agreements with certain parties (the “**Original Banking Partners**”) as amended, under which, when and if fully vested, the Original Banking Partners shall have the amounts as reflected in Recital K.

G. After the implementation of the Original Banking Program, certain of the Original Banking Partners requested that Semitropic investigate the possibility of increasing the recovery or withdrawal capacity of the Original Banking Program. Following review of various alternatives, Semitropic concluded that the withdrawal capacity increase could best be accomplished in a reliable and efficient manner by pumping Stored Water (as defined below) directly from groundwater storage into the California Aqueduct. After considering various pumping locations, pipeline alignments, and the need to minimize pumping impacts on existing groundwater users, the area in the northwest part of Semitropic was selected as a potential well field. The identified project, known as the Stored Water Recovery Unit (“**SWRU**”) and described further below, is based on additional pumpback capacity of up to 200,000 AF per year, 150,000 AF of which is to be pumped from the Well Field (as defined below) and 50,000 AF from other parts of the Semitropic Improvement District.

H. Semitropic prepared a Draft Supplemental Environmental Impact Report (DEIR) on the SWRU. The Final Supplemental EIR was certified on January 19, 2000. Semitropic also prepared Addenda to the Final Supplemental EIR, dated February, 2002, (clarifying the overall storage capacity of the Original Banking Program with the SWRU to be 1,650,000 AF) July, 2004 (regarding the size and configuration of certain SWRU facilities) and March, 2005 (concerning the delivery point of water delivered for banking). Semitropic initially offered the additional recovery capacity of the SWRU to the Original Banking Partners, but they declined to participate, except for Zone 7 Water Agency and Vidler Water Company whose contractual rights were acquired by San Diego Co. Water Authority in July 2008. As a result of Semitropic’s

proposal to undertake the SWRU, Semitropic and the Original Banking Partners did enter into an amendment to the Original Banking Partner agreements to confirm and clarify the rights of the Original Banking Partners established under the Original Banking Partner Agreements. The Original Banking Partner Agreements, as amended, among other provisions, provide Semitropic shall operate the SWRU in a manner designed so that its operation does not cause the Original Banking Program to be impaired in its ability to meet DWR water quality standards for return of Stored Water to the California Aqueduct (*First Amendment, Section 14.2.3*); provide that the Original Banking Partners shall have no responsibility and/or obligation to compensate or otherwise provide mitigation to Semitropic or SWRU participants as a result of any adverse impacts of the Original Banking Program or the SWRU, including but not limited to the “15 foot/3 year Rule” contained in the MOU referenced in Recital E above (*First Amendment, Section 14.3.1*) and also otherwise provide the Original Banking Partners specified rights in regard to the unused capacities of SWRU facilities.

I. The facilities planned to be constructed for the SWRU (“**SWRU Facilities**”) generally include a well field with approximately 65 wells with a planned capacity to pump 150,000 AF per year (“**Well Field**”) (in which Participant will only have secondary rights, as herein provided), a collection system for transporting Stored Water to a reservoir and pumping plant, a 96” diameter pipeline to a second reservoir that will be constructed adjacent to the Pond Poso Canal (with appropriate interconnections), and a second pumping plant and 420 cfs of two-way conveyance capacity in a 120 inch diameter pipeline to the California Aqueduct. These facilities provide a dual-purpose, bi-directional, connection from the Well Field and from landowner wells within Area B shown on Exhibit A serving each well site, to the California Aqueduct. The SWRU Facilities also include well connections and conveyance facility improvements to increase the existing Semitropic pumpback capacity to the Aqueduct by an additional 50,000 AF per year (which, as described below, will be the principal source of recovery for Participant). The SWRU will also require auxiliary features including power distribution lines and operation and maintenance roads. Costs to mitigate impacts may be included with the SWRU Facilities as herein provided. The parties recognize that water quality standards may result in a requirement that water from the SWRU, and in particular the Well

Field, be treated before being returned to the California Aqueduct. The general location of projected SWRU Facilities is shown as Area B on Exhibit A hereto.

J. Semitropic as part of the Original Banking Program has constructed facilities to provide Program Delivery Capacity consisting of 23,000 acres of In-Lieu Service Area providing, in combination with delivering capabilities in the SWSA and TWSA, approximately 90,500 AF per year of delivery capacity within a portion of Area A on Exhibit A. Since initiating the Original Banking Program Semitropic has also increased its recharge capabilities beyond that required by the Original Banking Program through construction of additional In-Lieu Service areas, participation in the Kern Water Bank and additional direct recharge facilities within the District. These additional facilities including proposed future improvements are generally shown on Exhibit A. An additional In-Lieu Service Area as generally shown within Area B of Exhibit A (shown as "In-Lieu Recharge and Recovery Area") will also be constructed as part of the SWRU Facilities. This In-Lieu Service Area and additional facilities within Area B will increase the "put" capacity of the SWRU and may also be used to mitigate potential pumping impacts on landowners adjoining the Well Field.

K. The respective Banking Partners in the Original Banking Program and the SWRU and a summary of their respective interests are as follows:

Original Banking Partners (OBP)	Effective Date Of Agreement/Amendment	Amount of Storage (AF)	Recovery⁽¹⁾ AF/Yr
Metropolitan Water District of Southern California	December 12, 1994 May 6, 2003	350,000	48,213
Santa Clara Valley Water District	June 1, 1997 April 24, 2003	350,000	48,213
Alameda County Water District	July 1, 1997 Sept. 28, 2001 April 24, 2003	50,000 100,000	20,662
Zone 7 Water Agency	January 28, 1998 February 26, 2003 January 12, 2005	65,000	12,204 ⁽¹⁾ (3250-SWRU)

San Diego Co. Water Authority	October 8, 1998; May 21, 2001; Sept. 28, 2001 February 26, 2003 July 1, 2005 July 1, 2008	30,000	5,632 ⁽¹⁾ (1500-SWRU)
The Newhall Land and Farming Company	May 21, 2001 February 26, 2003	55,000	7,576
TOTAL (Original Program)		1,000,000	142,500⁽¹⁾
Stored Water Recovery Unit (SWRU) Banking Partners	Effective Date of Agreement/Amendment	Amount of Storage AF⁽⁵⁾	Recovery AF/Yr
Poso Creek Water Company, LLC	April 23, 2007	60,000 ^(A)	20,000 ^(A)
⁽²⁾ San Diego Co. Water Authority	August 20, 2008	15,000 ^(B)	5,000 ^(B)
⁽³⁾ City of Tracy	November 16, 2010	10,500 ^(A)	3,500 ^(A)
Homer, LLC	October 1 2012	15,000 ^(A)	5,000 ^(A)
Available Capacity	Summer, 2012	50,250 ^(A) 435,000 ^(B)	16,750 ^(A) ⁽⁴⁾ 140,250 ^(B)
TOTAL (SWRU)-(Excl. Orig. Prog.)		585,750	195,250
Unallocated Storage		64,250 ⁽⁶⁾	----0----
TOTAL (Program)		1,650,000	337,750

Note: This chart is only a summary of the Banking Partners' respective interests and does not in any manner supersede or modify the respective contracts. Superscripts (A) & (B) are areas shown on Exhibit "A" where primary facilities to serve this agreement are located. With respect to the Original Banking Partners, all first priority capacity is within Area A.

⁽¹⁾ Includes (i) 90,000 AF/Yr of Program Pumpback Capacity (ii) Program Entitlement Exchange Rights assuming a reasonably reliable SWP average allocation of 45% and (iii)

additional pumpback capacity of 4,750 acre-feet acquired by Zone 7 (3,250 AF/Yr) and SDCWA (1,500 AF/Yr) from the 50,000 AF SWRU Pumpback Capacity but did not include additional storage capacity.

⁽²⁾ This Agreement was executed under the Semitropic-Rosamond Water Bank Authority (for 5,000 acre feet of the 150 TAF SWRU Pumpback Capacity from Area B) but is administered, managed, and operated under Semitropic's SWRU temporarily within Area "A" and ultimately to be within Area "B" shown on Exhibit A.

⁽³⁾ Per Section 1.14 of Tracy Agreement, $\frac{1}{2}$ storage is in Area "A" and $\frac{1}{2}$ in Area "B" shown on Exhibit A. This provision in the Tracy Agreement is to be amended to show all capacity is to be in Area A.

⁽⁴⁾ Of the 50,000 AF SWRU Pumpback Capacity, that is originating from Area "A" (170 cfs for 5 months) as noted by footnote (1) above, 4,750 AF has been contracted for by certain Original Banking Partners and 28,500 AF has been contracted for by SWRU Participants, including Participant, leaving 16,750 AF currently available.

⁽⁵⁾ Based on a 3:1 ratio of storage to recovery capacity.

⁽⁶⁾ This includes 14,250 AF of storage not included in the pumpback capacity cited in footnote ⁽¹⁾ above

L. Participant and Semitropic find that it will be mutually advantageous to enter into a groundwater banking and exchange program utilizing the SWRU whereby Semitropic will hold for Participant the water deposited by Participant hereunder. This Agreement will provide groundwater storage for Participant resulting in better utilization of its water supplies, and will provide improved reliability of supplies and overall higher groundwater levels for Semitropic.

M. This Agreement is consistent with the goal of making optimum use of water and facilities and is consistent with conservation objectives of Participant, Semitropic, Agency and DWR.

N. Semitropic will provide such water resource management services as are necessary to implement and operate the Program, including the construction of facilities, securing agreements and entering into operational arrangements, as are necessary to receive from Participant water delivered by Participant for storage hereunder and to return equivalent water to Participant in accordance with the terms of the Agreement. The Program, as implemented with respect to Participant by this Agreement, when combined with other necessary actions undertaken by Participant will thus allow the delivery of Stored Water to Participant. These actions will include obtaining any necessary agreements between agencies responsible for transferring water to and from Semitropic California Aqueduct Turnouts (Delivery Agreement as provided in Article 9). When such services are provided by Semitropic, Participant will make payments to Semitropic, as provided for in this Agreement, to compensate Semitropic for its services and expenses.

ARTICLE 1. DEFINITIONS

As used in this Agreement, each of the following terms shall have the respective meaning given to it in this Article 1 unless expressly stated to the contrary where such term is used. Further, each provision in this Article or in the Recitals which is stated in declarative form (for example, "will be adjusted") or is otherwise stated as an agreement between the Parties, rather than as a statement of their intent or purpose, shall be construed to be an operative part of this Agreement and shall be enforceable.

1.1 **"Agreement"** means, as of any particular time, this Agreement as amended or supplemented by the Parties through that time.

1.2 **"Banking Partner"** means, as of any particular time, Participant and any other entity which is then a party to a water banking and exchange agreement with Semitropic and shall include Original Banking Partners and SWRU Banking Partners. The term "Banking Partner" does not include a Lower Priority Banking Partner.

1.3 **"In-Lieu Service Area"** means lands which have at least a five year history of cultivation and continuous use of groundwater, the owners of which have executed surface water service contracts with Semitropic acknowledging and agreeing to cooperate with Semitropic in fulfilling its obligation to carry out the Program, that provide for the reasonable and beneficial use of water made available to Semitropic for banking and other purposes on that land in lieu of pumping groundwater, and whose on-farm systems have been connected to Semitropic's surface water distribution system to receive water delivered to Semitropic for storage purposes. These lands also have a contractual responsibility to use existing wells to recover Stored Water.

1.4 **"Lower Priority Banking Partner"** means an entity which enters into an agreement with Semitropic to utilize all or part of the capacity during such time period when not required to be available for use by Semitropic or Banking Partners.

1.5 **"Original Banking Partners"** means the parties to the Original Banking Program that are those listed in Recital F, and which may change from time to time in event of assignments in accordance with Section 14.1 (Successors and Assigns).

1.6 **"Original Banking Program"** means the original one million AF (MAF) banking program developed by Semitropic within the Semitropic Bank, referred to as "Program" in Section 1.8 of the Original Banking Program Agreements.

1.7 **"Original Banking Program Agreements"** means the agreement (or agreements) that each Original Banking Partner has entered into with Semitropic containing rights and obligations related to the Original Banking Program.

1.8 **"Original Banking Program Facilities"** means the water facilities, consisting of canals, pipelines, associated pumping plants and recovery wells all as required to recharge a minimum of 90,500 acre feet per year, to recover a minimum of 90,000 acre feet per year at a maximum instantaneous flow rate of 300 cfs (Program Pumpback Capacity), and to recover up to 133,000 AF per year to return water under Program Entitlement Exchange Rights provisions, the locations and description of which are shown on Exhibit A within Area A.

1.9 **“Participant’s Delivery Capacity”** means the capability granted to Participant under this Agreement to deliver water for storage, consistent with Article 7 hereof. Participant’s Delivery Capacity shall be provided to Participant from the following facilities, as Semitropic shall determine: (a) in-lieu delivery recharge not part of the Original Banking Program, (b) direct recharge facilities within Semitropic not part of the Original Banking Program, (c) recharge on the Kern Water Bank, (d) unused SWRU Delivery Capacity and (d) unused capacity of the Original Banking Program. Participant’s Delivery Capacity shall be 5,000 AF annually.

1.10 **“Program” or “Semitropic Bank”** means the entire groundwater-banking program developed, operated, and maintained by Semitropic, including both the Original Banking Program and the SWRU. The Semitropic Bank is to be expanded to a 1.65 million AF (MAF) banking program, consisting of the existing one MAF Original Banking Program and the additional 650,000 AF Stored Water Recovery Unit. Current capacities are as shown in Recital K.

1.11 **“Program Entitlement Exchange Rights”** means the rights of Banking Partners to exchange an amount of Stored Water through entitlement exchange for an equal amount of Semitropic's allocation of Agency's SWP Entitlement Water (also referred to as Table A Amounts) from the California Aqueduct pursuant to this Agreement or other similar agreements between Semitropic and other Banking Partners, which right shall be first available to the Original Banking Partners as provided further in Article 7. The total amount of Program Entitlement Exchange Rights available to Banking Partners each year will be equal to Semitropic's SWP Entitlement allocation less the first 22,000 AF (was 25,000 AF prior to the implementation of Monterey Amendments). If the nature or description of Semitropic's allocation of the Agency's SWP Entitlement Water is modified, such alternative supply from the SWP shall to such extent be substituted for Semitropic's allocation of Agency's SWP Entitlement Water. Alternative supplies shall include water purchases by the SWP or from sources generally available to State water contractors, as well as water from facilities in which participation is generally made available to State water contractors. Nothing in the preceding sentence shall obligate Semitropic to participate in such programs. The maximum Program Entitlement Exchange Rights of all the Banking Partners at any time will be 133,000 AF per year (derived

from 158,000 AF minus 25,000 AF or after implementation of the Monterey Amendments derived from 155,000 AF minus 22,000 AF)

1.12 **"Original Program Pumpback Capacity"** means the capacity, measured in AF per year and CFS, to return Stored Water to the California Aqueduct via the 78" pumpback pipeline constructed for the Original Banking Program, which capacity is first available to the Original Banking Partners as provided further in Article 7. The minimum annual Original Program Pumpback Capacity shall be 90,000 AF per year at a maximum instantaneous flow rate of 300 CFS.

1.13 **"Share of SWRU"** means the percentage of the annual SWRU Pumpback Capacity assigned to a SWRU Banking Partner. Semitropic shall assign a Share of SWRU to each SWRU Banking Partner. Participant is acquiring 5,000 AF of annual SWRU Pumpback Capacity (as part of the 50,000 AF SWRU Pumpback Capacity), and Participant therefore has a 5% Share of annual SWRU Pumpback Capacity.

1.14 **"Storage Account Balance"** means, with respect to a particular Banking Partner, that Banking Partner's accumulated total Stored Water less the accumulated withdrawals of Stored Water by that Banking Partner. Records of these accounts shall be maintained by Semitropic and they shall be subject to audit, review and approval by the Banking Partners, at the expense of the auditing or reviewing Banking Partner, on an annual basis.

1.15 **"Stored Water"** means, with respect to any particular Banking Partner, water delivered for storage by that Banking Partner as measured at Semitropic's turnouts in Reach 10A of the California Aqueduct or at other locations approved by the Delivery Agreement referred to in Article 9, less losses deducted in accordance with Article 4, which losses shall be accounted for concurrently with the delivery of water to Semitropic for storage. Participant acknowledges that Participant's Stored Water may be commingled with other water. At all times during the term of this Agreement, an amount of water available to Semitropic in the Semitropic Basin equal to the amount of the Participant's Storage Account Balance shall be deemed to be Participant's Stored Water. So long as water in the amount of Participant's Storage Account Balance remains in the Semitropic Basin, Semitropic shall be deemed to remove Participant's Stored Water from storage only as and

when requested by Participant pursuant to the terms of this Agreement and any other removal of water by Semitropic from the Semitropic Basin shall be deemed to be the removal of water that is not Participant's Stored Water. If at any time the amount of water in the Semitropic Basin is less than the sum of the Storage Account Balances of the Banking Partners (an event which the parties believe is extremely unlikely), any additional water subsequently available to Semitropic from the Semitropic Basin without interfering with the rights of landowners or other public agencies, shall be shared by the Banking Partners in proportion to their respective Storage Account Balances, until such time as the amount of water so available to Semitropic from the Semitropic Basin equals or exceeds the total of the Storage Account Balances of the Banking Partners.

1.16 **"Stored Water Recovery Unit"** (or "SWRU") means the program within the Semitropic Bank, developed by Semitropic to create, in addition to the Original Banking Program, an additional 650,000 AF of storage as further described at Recital I and elsewhere in this Agreement.

1.17 **"Stored Water Recovery Unit Facilities"** (or "SWRU Facilities") means the proposed recovery facilities for up to 150,000 AF per year shown and described on Exhibit A within Area B and recovery facilities for up to 50,000 AF per year within Area A and additional well connections and conveyance facility improvements not part of the Original Banking Program Facilities.

1.18 **"SWP Entitlement Water"** means entitlement water (also known as Table A Amounts) as provided for in the state water contracts, as well as the alternative supplies provided for in the definition of Program Entitlement Exchange Rights.

1.19 **"SWRU Banking Partners"** means, as of any particular time, Participant and any other entity, which is party to a water banking and exchange agreement with Semitropic to participate in the Stored Water Recovery Unit.

1.20 **"SWRU Delivery Capacity"** means the capability to deliver water for storage made available as a result of the construction of SWRU Facilities. The program delivery

capability of the proposed In-Lieu Service Area within Area B is estimated to be 50,000 AF per year plus 50,000 AF per year from Area A, based on current cropping patterns and irrigation efficiencies on an irrigation schedule plus direct recharge facilities all as generally shown on Exhibit B. Additional delivery capacity may be available from time to time, consistent with Article 7 hereof.

1.21 **"SWRU Pumpback Capacity"** means the annual, first priority capacity, measured in AF per year and CFS, to return Stored Water to the California Aqueduct under the SWRU element of the Program. Upon completion of all necessary SWRU Facilities, the annual SWRU Pumpback Capacity shall be 200,000 AF per year, comprised of (i) 150,000 AF per year at an instantaneous flow rate of approximately 250 CFS for a period of approximately 10 months from the Well Field and from within the additional in-lieu service area described in Recital J shall be available to other SWRU Banking Partners on a first priority basis (**"150,000 AF SWRU Pumpback Capacity"**) and (ii) 50,000 AF per year at an instantaneous flow rate of 170 CFS for a period of approximately 5 months during the off-peak irrigation season from recovery facilities within Area A shown on the attached Exhibit A and utilizing additional well connections and conveyance facility improvements not part of the Original Banking Program Facilities (**"50,000 AF SWRU Pumpback Capacity"**). The 50,000 AF SWRU Pumpback Capacity is distinct from and over and above the 90,000 AF of pumpback capacity allocated to the Original Banking Partners through the Original Banking Program. As described in Section 2.1, 5,000-acre feet of the 50,000 AF SWRU Pumpback Capacity shall be available to Participant on a first priority basis. The 50,000 AF SWRU Pumpback Capacity is available as of the effective date of this Agreement. Semitropic shall not commit more than 50,000 AF of the 50,000 AF portion of the SWRU Pumpback Capacity to Banking Partners on a first priority basis.

1.22 **"SWRU Storage Capacity"** means the storage capability of the Program, which has been allocated, to the SWRU, totaling 650,000 AF.

1.23 **"Technical Advisory Committee"** means the Committee established pursuant to Section 7.4 hereof.

1.24 **“Unused Program Entitlement Exchange Rights”** means those exchange rights referenced at Section 1.10 of this Agreement that are not used by the Original Banking Partners.

1.25 **“Unused Original Program Pumpback Capacity”** refers to that minimum pumpback capacity referenced at Section 1.11 that is not used by Semitropic or by the Original Banking Partners.

1.26 **“Unused Semitropic Delivery Capacity ”** means in any year, Semitropic total in District delivery capability, currently about 400,000 AF per year (which ultimately could be equal to its total irrigation demand of about 475,000 AF per year) plus direct recharge capability which is not used for delivery of Semitropic's SWP Entitlement Water, Agency Pool Water, Shafter-Wasco Irrigation District deliveries pursuant to Section 5.8 or other water available to be used by Semitropic for non-banking purposes and the Original Banking Partners and SWRU Banking Partners under their respective first priority delivery capabilities.

ARTICLE 2.

ALLOCATION AMONG BANKING PARTNERS

2.1 Under terms and conditions of this Agreement, Participant shall have the first priority to Participant's Delivery Capacity, 5,000 AF of the 50,000 AF SWRU Pumpback Capacity, 15,000 AF of SWRU Storage Capacity and any available unused capacities as herein provided (herein collectively called “Participant's Rights”). SWRU Banking Partners, including Participant, in all cases shall also have the first priority to use any SWRU Delivery Capacity, and SWRU Pumpback Capacity not used by other SWRU Banking Partners as provided in Sections 3.3 and 5.2.2.1. Semitropic shall notify each SWRU Banking Partner not using its respective share of said SWRU capability, capacity or right, when other entities including Banking Partners desire to utilize it and of any use made of it.

2.2 Semitropic shall not enter into any other water banking programs or other agreements, which would interfere with the Program benefits and rights of Participant or the other SWRU Banking Partners.

2.3 Then existing SWRU Banking Partners will be given an opportunity to review the terms and conditions of proposed agreements with potential Banking Partners and Lower Priority Banking Partners and to review Semitropic's records regarding administration of the Program. Such Lower Priority Banking Partners' agreements and activities shall not adversely impact any Banking Partners' ability to utilize any benefits under their respective agreements with Semitropic. If Semitropic or one or more then existing SWRU Banking Partners believe that other potential Banking Partners' proposed agreements or potential Lower Priority Banking Partners' proposed agreements violate any of the provisions of this Agreement or other such Agreement, any Party may seek dispute resolution pursuant to Article 10 concerning such matter. In this event, Semitropic shall only enter into agreements in conformity with the result of the dispute resolution.

ARTICLE 3.
DELIVERY OF WATER BY BANKING PARTNERS
TO SEMITROPIC

3.1 Under the terms of the Delivery Agreement referred to in Article 9, Participant, at its sole cost and expense, may deliver water to Semitropic at the location in the California Aqueduct specified in the Delivery Agreement or to other agreed upon locations provided, however, such water shall not place institutional burdens on Semitropic beyond that applicable under Delivery Agreements and Point of Delivery Agreements with other Banking Partners. Participant shall notify Semitropic of its intent as early in the year as possible, preferably no later than April 15. Such water will be scheduled and delivered to Semitropic at times and rates of delivery reasonably acceptable to Semitropic, the Agency and Participant, and shall not exceed the sum of (i) Participant's Delivery Capacity and (ii) any Unused Semitropic Delivery Capacity available to Participant (to the extent available consistent with Article 7), nor shall it exceed the available capacity of Semitropic's distribution system. To the extent practical Participant shall schedule such water at a time to coincide with Semitropic's in-lieu delivery demands.

3.2 Semitropic will take control and possession of water delivered to Semitropic by any Banking Partner for storage, at the locations specified in their respective Delivery Agreements and will credit the Storage Account Balance of that Banking Partner with Stored

Water in an amount equal to the water so delivered less the deduction for losses provided for in Article 4 with respect to such water. At the time Semitropic takes control and possession of water delivered by Participant, legal title to Participant's water, together with the right to withdraw from the Semitropic Basin an amount sufficient to return to Participant the Stored Water, shall vest in Semitropic for Participant. Upon taking control and possession of water delivered hereunder for storage by Participant, Semitropic, at its sole cost and expense, will do either of the following: (i) transport and store such water by direct percolation; or (ii) exchange that water for an interest in and right to withdraw from the Semitropic Basin an amount of water sufficient to return to Participant the Stored Water. In either case, Semitropic shall thereafter hold and return or otherwise dispose of the Stored Water as provided for in this Agreement. Upon crediting Participant's Storage Account Balance for the amount of any water exchanged as described in clause (ii) above, Semitropic may deliver the exchanged water to water users for surface water service in lieu of pumping groundwater. Semitropic shall retain the right to use its facilities to deliver water supplies made available to it by Banking Partners and acquired by Semitropic by exchange pursuant to clause (ii) above, as it deems appropriate.

3.3 Each SWRU Banking Partner shall have a right to any then existing SWRU Delivery Capacity not used by other SWRU Banking Partners. If requests by SWRU Banking Partners for unused SWRU Delivery Capacity exceed such Capacity, then the unused SWRU Delivery Capacity shall be allocated to each SWRU Banking Partner according to the ratio of its Share of SWRU, divided by the sum of the Share of SWRU of all SWRU Banking Partners wishing to use unused Capacity, times the amount of unused SWRU Delivery Capacity.

3.4 If, due to hydrologic conditions, changes in cropping patterns or other reasons, Participant's Delivery Capacity is reduced, Participant may request, and Semitropic shall provide, information accounting for such reduction. If such reduction is not due to temporary conditions, Semitropic shall take all actions necessary to provide Participant's Delivery Capacity.

3.5 Unused Semitropic Delivery Capacity, which may be available to SWRU Banking Partners consistent with Article 7 (including Section 7.1.4), shall be allocated among the SWRU Banking Partners requesting the use of such Unused Semitropic Delivery Capacity according to their Share of SWRU.

3.6 If, after reasonable efforts by Semitropic to accommodate the Banking Partners' storage scheduling requests, such requests nevertheless exceed the instantaneously available SWRU Delivery Capacity and available Unused Semitropic Delivery Capacity, Semitropic shall allocate available capacities in proportion to the total of each SWRU Banking Partner's Share of SWRU.

3.8. Participant shall have the responsibility to obtain water supplies that it elects to store pursuant to this Agreement and to deliver same to the Point(s) of Delivery identified pursuant to Delivery Agreements; provided, however, Semitropic shall use reasonable good faith efforts to assist in securing such arrangements.

ARTICLE 4. LOSSES AND STORED WATER

Semitropic's distribution system, evaporative and aquifer losses, for purposes of this Agreement and similar agreements between Semitropic and other Banking Partners, are collectively assumed to be ten percent (10%) of the amount of water furnished by Banking Partners for storage as measured at Semitropic's turnout in Reach 10 A of the California Aqueduct and at other turnouts as provided in the Delivery Agreement referred to in Article 9. However, this amount and the Storage Account Balance shall be modified in the future, if the results of studies to be conducted jointly by Participant, other Banking Partners and Semitropic under a mutually agreeable procedure establish the actual loss to be different than the assumed ten percent (10%) losses. The Storage Account Balance shall be adjusted accordingly and resulting adjustments in compensation payments shall be in accordance with Section 6.8.

ARTICLE 5. RETURN OF WATER BY SEMITROPIC TO PARTICIPANT

5.1 In any year, upon request by Participant, Semitropic shall return Stored Water to Participant by the method set forth in Section 5.1.1 or the method set forth in Section 5.1.2 or both. If both methods are available to Semitropic without adversely affecting Semitropic or its water users, it shall utilize the method that results in the lowest cost to Participant.

5.1.1 To the extent there are Unused Program Entitlement Exchange Rights available, Semitropic may exchange an amount of Participant's Stored Water for an equal amount of Semitropic's SWP Entitlement Water. Participant hereby consents to such an exchange and Semitropic will be deemed to have affected such an exchange by delivering a portion of its SWP Entitlement Water to Participant in compliance with the Delivery Agreement(s). Upon completion of such an exchange, Participant's beneficial interest in the Stored Water that was the subject of the exchange and the right to withdraw such water shall be vested in Semitropic in its individual capacity, and Semitropic may thereafter deliver such water to its water users who would otherwise have received the portion of Semitropic's SWP Entitlement Water that was delivered to Participant as a result of the exchange.

5.1.2 Semitropic may return Participant's Stored Water to Participant by pumping water from the groundwater basin back to the California Aqueduct for delivery to Participant as specified in the Delivery Agreement referenced Article 9. Semitropic may in its discretion, in addition to utilizing pumpback pipelines within Semitropic, utilize capacity available to it in the Kern Water Bank and operational exchanges with third parties to return Participant's Stored Water.

5.2 The return of Stored Water by Semitropic to Participant shall be subject to the following terms and conditions:

5.2.1 Subject to the provisions of this Agreement, for each acre-foot of Stored Water held by Semitropic for Participant, Semitropic shall ultimately return one acre-foot of water to Participant.

5.2.2 Subject to the provisions of this Agreement, when Participant requests the return of Stored Water, Semitropic shall return at a minimum the quantities of water calculated in accordance with the following, using its reasonable efforts to accommodate Participant's delivery schedule:

5.2.2.1 5,000 AF of the 50,000 AF SWRU Pumpback Capacity (through the 170 cfs described at Section 1.21, not utilizing the Well Field). Participant shall also have a

right to any other then existing SWRU Pumpback Capacity (the 150,000 AF and 50,000 AF SWRU Pumpback Capacities) not used by other SWRU Banking Partners if Participant elects to utilize same, subject to mitigation of impacts to other Banking Partners pursuant to Section 5.6 and if originating from the Well Field payment of additional water treatment costs paid by other SWRU Banking Partners for use of same. If requests by SWRU Banking Partners for unused SWRU Pumpback Capacity exceed such capacity, then the unused SWRU Pumpback Capacity shall be allocated to each SWRU Banking Partner according to the ratio of its Share of SWRU, divided by the sum of the Share of SWRU of all SWRU Banking Partners wishing to use the unused capacity times the amount of unused SWRU Pumpback Capacity.

5.2.2.2 Semitropic may also elect to return Stored Water which Participant requests return of through available Unused Original Program Pumpback Capacity, which shall be subject to first being available for use by the Original Banking Partners, as provided by Article 7.

5.2.2.3 Any available Unused Program Entitlement Exchange Rights shall be allocated to each SWRU Banking Partner according to its Share of SWRU. Each SWRU Banking Partner shall have a right to any Unused Program Entitlement Exchange Rights not required for use by other SWRU Banking Partners, subject to mitigation of impacts to other Banking Partners pursuant to Section 5.6. If requests by SWRU Banking Partners for Unused Program Entitlement Exchange Rights exceed such rights, then the Unused Program Entitlement Exchange Rights shall be allocated to each SWRU Banking Partner according to the ratio of its Share of SWRU divided by the sum of the combined Share of SWRU of all SWRU Banking Partners wishing to use the Unused Program Entitlement Exchange Rights times available Unused Program Entitlement Exchange Rights.

5.3 Participant shall notify Semitropic of its intent to take delivery of Stored Water as early in the year as possible, but no later than May 1 of the same year. If such notification is provided after May 1, Semitropic, at its sole discretion, may make reasonable efforts to comply with Participant's request. In the event of an emergency need for water by Participant, Semitropic shall endeavor to return Stored Water to Participant to the maximum extent feasible considering the capacity rights of other Banking Partners.

5.4 Semitropic will obtain approval from DWR to deliver Stored Water by pumpback to the California Aqueduct. In addition, it shall be Semitropic's responsibility to notify the Agency, each Banking Partner, and DWR, as to the amount of Original Program Entitlement Exchange Rights and SWRU and Original Pumpback Capacities for that year. When Stored Water is returned by pumpback, it shall be returned to the best of Semitropic's ability, on a schedule acceptable to the respective SWRU Banking Partner, Agency and DWR and at varying rates of delivery. If Stored Water is returned by use of 50,000 AF SWRU Pumpback Capacity, generally it will be returned over a 5 month period during the off-peak irrigation season. SWRU Banking Partner shall be responsible for all necessary approvals and costs to transport such water in the California Aqueduct once the Stored Water is returned to Participant by either pumpback or entitlement exchange.

5.5 Notwithstanding any other provision of this Agreement, Semitropic will temporarily reduce or terminate groundwater pumping from Storage for the purpose of returning Stored Water to Banking Partners to the extent required pursuant to the MOU referenced above in Recital E. However, to the extent possible, Semitropic shall change the timing and location of pumping to avoid reduction or termination in the return of Stored Water pursuant to the MOU. Semitropic shall construct adequate facilities and/or secure agreements and/or operational arrangements to obtain the long term levels of service provided for in this Agreement. Such long term levels of service may only be reduced to the extent required by the MOU referenced above in Recital E.

5.6 Subject to Article 7, if the use by other Banking Partners, Lower Priority Banking Partners or Semitropic of Participant's Rights to 5,000 AF annually of the 50,000 AF SWRU Pumpback Capacity (when not being used by Participant), referenced in Section 5.2.2.1 interferes with the recovery of Participant's Stored Water by causing a reduction or termination of pumping pursuant to the MOU, the Party or Parties responsible for the action(s) which impacts Participant shall reduce its withdrawal of Stored Water to make up Participant's loss and, to the extent reductions in the withdrawal of Stored Water are insufficient, shall provide, at the election of the Participant, an equivalent water supply in that year or cash in the amount of the replacement cost of such water, such water or cash to be for the benefit of and to be immediately

distributed to the Participant. Semitropic shall adjust the Banking Partners', Lower Priority Banking Partners', or Semitropic's accounts to reflect any such water exchange.

Participant recognizes that it may also be required to reduce its withdrawal of Stored Water or furnish equivalent water or cash to another Banking Partner under circumstances similar to those described above, if its own use of another SWRU Banking Partner's share of SWRU Pumpback Capacity, Unused Program Pumpback Capacity or Unused Original Program Entitlement Exchange rights, interferes with other Banking Partner's recovery of Stored Water, all as described in Article 7. Semitropic shall ensure that each Banking Partner is subject to the restrictions substantially similar to those set forth in this Section 5.6.

5.7 Wells within Semitropic can produce water that will meet DWR's water quality standards to return water to the California Aqueduct in effect in December, 2005. DWR is currently establishing long-term criteria for introducing non-Project Water into the California Aqueduct and Semitropic will operate the pumpback facilities in accordance with such long term criteria. Semitropic shall take no direct action, which would knowingly cause the quality of recovered Stored Water to not meet such water quality standards in effect. The preceding sentence shall not apply to delivery of water under non-banking programs or otherwise operating under this Program.

In the event that future water quality standards change, or the quality of groundwater from Semitropic wells is such that Semitropic cannot meet acceptable DWR water quality requirements for pumping into the California Aqueduct, Stored Water shall be returned to SWRU Banking Partners by Program Entitlement Exchange or alternative methods satisfactory to the affected SWRU Banking Partners. Such alternative methods may include, but are not necessarily limited to: purchases, exchanges with others, and/or by improving Stored Water quality to acceptable standards for direct pumpback, with the additional costs of any such methods being paid by SWRU Banking Partners accepting such alternative methods. Semitropic's operations and financial situation shall not be adversely impacted as a result of these alternative methods. Notwithstanding the foregoing, it is recognized that if Participant's Stored Water is returned to the California Aqueduct from the Area B Well Field, treatment may be required and additional costs shall be applicable as provided at Section 6.5.3 for operation of same.

5.8 Participant also recognizes that Semitropic has entered into an "Agreement Between Shafter-Wasco Irrigation District and Semitropic Improvement District of Semitropic Water Storage District Providing for Construction and Operation of an Intertie Pipeline," dated December 6, 1993, which applies only to the northerly 36-inch intertie pipeline constructed to implement a water banking and exchange program. Semitropic has committed to return water to Shafter-Wasco by delivery of either surface water in excess of its needs from any available source or by pumping groundwater. The agreement with Shafter-Wasco is based on the use of Semitropic pre-Original Banking Program facilities for the delivery of water to storage and for the withdrawal or return of water. Shafter-Wasco, therefore, has priority over all Banking Partners in the use of existing facilities. Semitropic's obligation under said agreement does not require commitment of SWP entitlement nor the use of pumpback facilities required for the return of Banking Partners' Stored Water.

5.9 Participant further recognizes that return of Stored Water is subject to certain priorities and conditions for the benefit of the Original Banking Partners, as hereinafter provided.

5.10 Semitropic shall have the responsibility to return water which has been stored pursuant to this Agreement to Participant at the Point(s) of Delivery in a manner consistent with the Delivery Agreement(s) and this Agreement, and Participant shall have the responsibility to provide for the return of Stored Water from the Point(s) of Delivery to Participant; provided, however, Semitropic shall use reasonable good faith efforts to assist in securing such arrangements.

ARTICLE 6. COMPENSATION

Participant shall make the payments set forth below to compensate Semitropic for (i) its services under this Agreement, (ii) costs and expenses incurred by Semitropic in connection with its obligations under this Agreement.

6.1 General. Semitropic commits to utilize Participant's payments and other Semitropic funds, and to maintain such adequate financial flexibility, as it reasonably determines

to be necessary to construct facilities needed to provide Participant with capacities herein provided.

Participant shall pay the following for services provided by Semitropic for storage and withdrawal of water. Semitropic shall pay all other costs not specified herein, and Semitropic shall not create and impose any other charges or fees upon Participant.

6.2 Capital Payments.

6.2.1 Participant shall pay to Semitropic \$6,500,000 (i.e. \$1,300 per share) for Participant's Rights for recharge, storage and recovery rights being acquired under this Agreement. Participant shall deliver to Semitropic \$2,000,000 upon agreement of all principles pending execution of this Agreement and the balance of \$4,500,000 shall be paid in 10 annual payments bearing 5.5% per annum interest commencing on January 1, 2014 in accordance with a graduated payment schedule attached as Exhibit C. Participant shall upon execution of this Agreement deliver an executed Promissory Note providing for payments as provided in Exhibit D.

6.2.2 Participant's obligation to make annual payments under the Promissory Note described in Section 6.2.1 shall be partially secured by:

(a) A portion of Homer LLC's Stored Water under this Agreement valued at \$80.00 per acre-foot; and

(b) A Letter of Credit equal at all times to 30% of the outstanding balance due under Section 6.2.1 (thus, initially \$1,380,000), less the value of the portion of Homer LLC's Stored Water under Section 6.2.2(a), but in any event the Stored Water shall provide security for no more than 15% of the outstanding balance due under Section 6.2.1. Such Letter of Credit shall have the following characteristics:

(1) As of January 1, 2013, Homer LLC has 9,900 acre-feet of Stored Water under this Agreement. For 2013, \$690,000 shall be secured with 8,625 acre-feet of

Homer LLC's Stored Water valued at \$80 per acre-foot, and \$690,000 shall be secured by the Letter of Credit;

(2) the amount of the Letter of Credit shall be re-evaluated on January 1 of each year to reflect the outstanding balance due and the amount and value of Homer LLC's Stored Water on that date;

(3) issued by a third party financial institution doing business in the State of California and reasonably acceptable to Semitropic;

(4) a term of at least two years providing for draws upon expiration unless renewed consistent with this Agreement;

(5) provide for drawing conditions and related documents in event not renewed or a failure to timely make capital payments pursuant to this Agreement, which conditions and documents are consistent with this Agreement; and

(6) be in a form reasonably acceptable to Semitropic.

6.3 Annual Payments. Participants shall pay annually to Semitropic the following sums:

6.3.1 A Management Fee of \$25,000 per year.

6.3.2 A Maintenance Fee of \$40,000 per year.

6.4 Usage Fees. Participant shall pay (i) a one-time fee of \$10.00 per acre-foot for each acre-foot of Stored Water credited to its Storage Account and (ii) a one-time fee of \$70.00 per acre-foot for each acre-foot withdrawn from its Storage Account.

6.4.1 The amounts provided for in Sections 6.3.1 and 6.4 shall be adjusted at the beginning of each year, and the adjusted amount shall apply to all Stored Water credited to or

withdrawn from Participant's Storage Account Balance for that year. The adjusted amount for any particular calendar year shall be the amount equal to the amount provided in Section 6.3.1 and 6.4 (\$25,000 per year or \$10.00 or \$70.00 per acre-foot) multiplied by a fraction, the numerator of which is the Consumer Price Index, All Urban Consumers, All Items Index, Western Cities with populations between 50,000 and 1,500,000 (the "CPI-U") for November of the calendar year immediately preceding the calendar year with respect to which the adjusted amount is being determined (that is, for November 2008 with respect to the adjusted amount for 2009; November 2009 for 2010; and so on), and the denominator of which shall be the CPI-U for November 2003 (which, the Parties agree, is 114.9. If publication of this index herein referred ceases or if the basis for such index is substantially modified, the Parties shall negotiate and mutually agree on an alternative but equivalent index or, in the absence of agreement, the matter shall be resolved pursuant to Article 10.

6.4.2 The amount provided for in Section 6.3.2 shall be adjusted annually based upon a maintenance plan and budget developed by Semitropic in consultation with the SWRU Banking Partners, which plan and budget shall include a reasonable reserve for maintenance, repair and replacement of SWRU facilities. SWRU Facilities shall be maintained consistent with SWRU "Project Facilities Maintenance Guidelines" attached as Exhibit E.

6.5 Pumping and Treatment Costs

6.5.1 In addition to payment under Section 6.4, when water is returned, Participant shall pay the average unit power costs then actually incurred by Semitropic to pump such Stored Water from the groundwater basin for either direct delivery to the California Aqueduct or for entitlement exchange. In the case of direct delivery to the California Aqueduct, Participant also shall pay the average unit power cost then actually incurred by Semitropic to convey the returned water through the distribution system and to pump such water into the California Aqueduct at the Semitropic turnout(s) in Reach 10A. (In the event Stored Water is returned by exchange from the Kern Water Bank, the power costs shall be deemed to be same as pumping to Semitropic turnouts in Reach 10A.) Said power costs shall be computed based on the amount of energy consumed to withdraw and when applicable to convey to the California

Aqueduct Participant's Stored Water in a given month times Semitropic's average actual unit power cost for the same pumping period. For ease in billing, Semitropic shall establish an estimated power rate for each calendar year with respect to which Participant requests such information and shall provide Participant with such estimate, including back-up documentation to justify the rate, within fourteen (14) days of the request. Such estimated rate shall be used for billing purposes for the following year and then the billing will be adjusted to actual by March 1 of the year following the estimated rate year, or as soon as possible thereafter. Once the variance amount has been agreed to by the Parties, any amount due by either Party shall be billed immediately and paid in accordance with Section 6.7. Semitropic has its own power production and distribution facilities and the unit cost of power shall be based upon the cost of Semitropic's energy project including, but not limited to, debt service for the energy project, fuel, operation and maintenance for the energy project, replacements, reserve deposit for the energy project, utility billings, and the cost of production and distribution of such power. The Parties agree that the initial calculation shall be consistent with the calculation in Exhibit F.

6.5.2 Exhibit F may be revised from time to time by written consent of the Parties, which consent shall not be unreasonably withheld. The intent of Exhibit F is to provide Semitropic with sufficient revenue to recover the power costs incurred by Semitropic for Participant's withdrawal of Stored Water and to allow Semitropic flexibility to change the calculation based on experience and the changing electric utility industry.

6.5.3 If and when Stored Water from the Well Field must be treated to meet applicable DWR water quality requirements for pumping into the California Aqueduct (if Participant elects to utilize unused 150,000 AF SWRU Pumpback Capacity as provided at Section 5.2.2.1), there shall be an additional cost for operation and maintenance of such facility. Semitropic shall annually estimate such cost and bill the applicable SWRU Banking Partners such amount to the extent the withdrawal Stored Water and such treatment facility is utilized. The actual costs shall be computed after the end of each Year and the billings for treatment costs adjusted accordingly.

6.6 If Semitropic or other Banking Partners use SWRU Facilities, Participant may be entitled to payment based on Participant's Share of SWRU as more particularly described in Article 7.

If Participant uses an Original Banking Partner's Unused Program Delivery Capacity, Unused Original Program Pumpback Capacity or Unused Program Entitlement Exchange Rights, Participant shall pay the share of the other Banking Partner's O&M Fee as further provided at Section 7.1.5.

6.7 In addition to payments under Section 6.2, Semitropic may bill Participant no more than monthly for payments under Sections 6.4 and 6.5 hereof and annually for payments under Section 6.3, which payments shall be due Semitropic and shall become delinquent forty-five (45) days after Participant receives the invoice under the terms of this Agreement under Section 14.9. In addition to other remedies available, delinquent payments shall bear interest at the rate of one percent (1%) per month. Data supporting the amounts invoiced shall be provided upon the reasonable request of Participant. Semitropic shall correct any erroneous billing promptly upon discovery of the error. If Participant has been underbilled, payment of the underbilled amount shall be due and become delinquent forty-five (45) days after Participant receives the corrective invoice and data justifying the change. Overpayments by Participant shall be refunded to Participant within forty-five days of discovery, together with interest thereon at the prime interest rate published by the Wall Street Journal as of the date of discovery.

6.8 In the event there is an adjustment in Participant's Storage Account Balance as provided at Article 4, applying the first-in-first-out method of accounting for water in the Storage Account Balance, previous payments shall be adjusted based on the payment charged in the year the quantity of water to be adjusted was delivered with no further adjustments using the applicable indexes cited in Section 6.4.1. In addition no interest shall be payable on the amount of money required for said adjustment. Financial obligations shall occur as follows:

6.8.1 To the extent the Storage Account Balance is reduced (i.e., losses are determined to exceed ten percent (10%)), Semitropic shall reimburse Participant for the charges paid under 6.4 within one year of such determination.

6.8.2 To the extent the Storage Account Balance is increased (i.e., losses are determined to be less than ten percent (10%)), Participant shall pay Semitropic for charges that would have been paid under 6.4 for such additional water determined to be in the Participant Storage Account Balance within one year of such determination.

6.9 It is recognized that changes in Semitropic's actual costs of operating the SWRU may occur on or after the date this Agreement is executed as a result of enactments, amendments, changes in implementation or interpretation, or repeal of any federal, state or local law, rule, regulation or ordinance (each, a "**Regulatory Change**"). If either Party determines that a Regulatory Change has occurred that would result in a material change (upward or downward) in Semitropic's costs for storing, recovering or transporting water pursuant to the terms of this Agreement, which change in Semitropic's costs is not reflected in the adjustments in the payments due from Participant to Semitropic pursuant to Article 6 or other provision of this Agreement (including, but not limited to, this Section 6.9), such Party shall promptly inform the other Party of the nature and extent of such alleged Regulatory Change and of the reason why that party believes an adjustment pursuant to this Section 6.9 is warranted in the payments due from Participant to Semitropic. Promptly thereafter, Semitropic shall provide Participant with its calculation of the costs or cost savings associated with such Regulatory Change and the facts and assumptions underlying that calculation. Upon agreement by the parties hereto (i) that a charge or credit affecting any payment due from Participant to Semitropic should be made as a result of a Regulatory Change, (ii) of the amount of such charge or credit, (iii) as to whether such charge or credit is to affect the basic payment amount or is to be separately accounted for (and, if so, in what manner), and (iv) as to the period during which such charge or credit is to apply, such charge or credit shall be incorporated into an amendment to this Agreement setting forth the foregoing and other particulars necessary to implement that adjustment. If such agreement cannot be reached within forty-five (45) days after Semitropic has provided the required notice

and information to Participant, the matter shall be resolved pursuant to Article 10, the qualified third party or arbitration panel being charged with determining (x) whether a Regulatory Change has occurred (if that is in dispute), (y) the amount of change, if any, in Semitropic's costs resulting from the Regulatory Change, and (z) the manner in which the payments due from Participant to Semitropic are to be adjusted to fairly and equitably reflect that change in Semitropic's costs (it being the intent of the parties that no windfall or unwarranted compensation or benefit should result to any party as a result of any adjustment made pursuant to this Section 6.9). Any adjustment to the payments due from Participant to Semitropic made pursuant to this Section 6.9 shall be effective as of the first day such Regulatory Change affects Semitropic's operations hereunder unless the parties otherwise agree and may be reconsidered thereafter at any time, at the request of any party, if the adjustment is unjustly undercompensating or overcompensating any party.

ARTICLE 7.

INTERRELATIONSHIP OF ORIGINAL BANKING PROGRAM AND STORED WATER RECOVERY UNIT (SWRU)

7.1 General Provisions

7.1.1 Semitropic shall use, on a first priority basis, Original Banking Program Facilities and any additional capacity available in those facilities annually, to meet its obligations under the Original Banking Program Agreements to convey water to storage and to recover stored water on behalf of the Original Banking Partners. Any unused capacity in Original Banking Program Facilities shall be available to Participant and other SWRU Banking Partners as herein provided.

In addition, Semitropic shall make Program Entitlement Exchange Rights available first to the Original Banking Partners. The Original Banking Partners also have priority to SWP Entitlement Water or non-project water needed for exchange to accomplish the delivery of up to 90,000 AF annually using the Original Program Pumpback Capacity. Semitropic shall not operate the SWRU pumpback facility in a manner that adversely impacts

the return of Original Banking Partner's Stored Water using the Original Program Pumpback Capacity.

7.1.2 The SWRU Facilities are planned to provide SWRU Delivery Capacity and SWRU Pumpback Capacity to recharge, recover, and convey to the California Aqueduct, up to 150,000 AF per year of Stored Water from Area B as shown in Exhibit A. In addition, the SWRU may recover up to 50,000 AF per year of Stored Water from Area A as shown in Exhibit A, which capability is being enhanced through the SWRU with additional well connections and conveyance facility improvements not part of the Original Banking Program Facility, and convey it to the California Aqueduct for the benefit of the SWRU. The Original Banking Partners will have access to such recovery Capacity in Area A on a first priority basis, to the extent required to satisfy the Program Pumpback Capacity and Program Entitlement Exchange Rights of the respective Original Banking Program Agreements. Whenever Original Program Pumpback Capacity is available from the Original Banking Program Facilities during Semitropic's off-peak irrigation season and other times Semitropic determines to be operationally feasible (as provided at Section 5.4), it shall be offered to the Original Banking Partners (on a first priority basis) and the SWRU (on a second priority basis). Semitropic shall be entitled in its discretion to allow Lower Priority Banking Partners use any Program capacity as long as such use (i) is at all times subordinate to the use thereof by Banking Partners and (ii) does not result in any expense to Original Banking Partners or SWRU Banking Partners.

7.1.3 Subject to Section 7.1.5, the Original Banking Partners shall have second priority use of SWRU facilities, provided that (i) the rights of Participant and other SWRU Banking Partners to use unused capacities within the SWRU have been met and (ii) such Original Banking Partner's use shall not reduce the SWRU's expected returns or cause water quality to be unacceptable for return to the California Aqueduct.

7.1.4 Subject to Sections 5.6 and 7.1.5, the SWRU will have second priority use of Original Banking Program facilities provided that: (i) all rights of the Original Banking

Partners to use unused capacity have been met, and (ii) such SWRU use shall not reduce the Original Banking Partners' expected returns or cause water quality to be unacceptable for return to the California Aqueduct.

7.1.5 If Semitropic utilizes the SWRU facilities in accordance with Section 7.1.3, on behalf of and with the consent of, an Original Banking Partner, then the Original Banking Partner shall pay a share of the fee determined pursuant to Section 14.1.5 of the Original Banking Partner's Agreement. If a SWRU Banking Partner utilizes Original Banking Program Facilities, the Operations and Maintenance fee shall be paid in accordance with Section 6.7.2 or 6.5.2 as applicable, of the Original Banking Program Agreements. The Original Banking Partners shall not be obligated to pay any additional fees for usage of the SWRU, nor shall SWRU Banking Partners be obligated to pay any additional fees for usage of Original Program Banking Facilities, other than as detailed in this section.

7.1.6 The Original Banking Partners' second priority rights specified in Sections 7.1.2 through 7.1.5 and Participant's right to use unused SWRU Pumpback Capacity of recovered stored water originating from the Well Field as specified in Section 5.2.2.1, shall not apply to water treatment facilities which may be constructed.

7.1.7 There shall be no increase in costs to the Original Banking Partners for modeling, monitoring, and any other activities resulting from the SWRU or any future expansion of the Semitropic Bank.

7.1.8 Nothing in this Agreement affects, acknowledges or establishes (i) rights as to use of any facilities other than the Original Banking Program Facilities and the Stored Water Recovery Unit Facilities, or (ii) rights as to the manner in which Stored Water, once recovered, is to be utilized; provided, however, that such use is consistent with the terms and conditions of and the Original Banking Program Agreements.

7.2 Water Quality

7.2.1 Semitropic shall not operate the SWRU to cause Stored Water recovered for the benefit of the Original Banking Partners, which would otherwise meet applicable water quality standards for delivery into the California Aqueduct, to exceed such standards. Semitropic shall design and construct all Stored Water recovery components of the SWRU to allow the SWRU Well Field and operations of the Original Banking Program (including the facilities for recovery of 50,000 AF annually from Area A as described in attached Exhibit A) to be operated in complete physical isolation from each other.

7.2.2 Inasmuch as the SWRU will also rely on Unused Program Entitlement Exchange Rights, the Original Banking Partners shall have a first priority to (i) exchange up to 133,000 AF per year of Semitropic's Table A entitlement allocations from DWR (i.e., to exercise the Program Entitlement Exchange Rights), and (ii) to exercise other options that may be available as provided in Section 5.7 of their respective Original Banking Program Agreements. Such options may include, but are not necessarily limited to, blending or substituting water that Semitropic purchases, exchanges with others, and/or by treating and improving Stored Water quality to acceptable standards for direct pumpback.

7.2.3 Semitropic shall provide DWR and downstream users of the California Aqueduct, which are Original Banking Partners and SWRU Banking Partners water quality information applicable to each Semitropic SWP turn-in facility, including but not limited to turn-in facilities utilized by the SWRU and Original Banking Program. Additionally, Semitropic shall provide the Technical Advisory Committee ("TAC") information regarding the quantity and quality of water measured at locations sufficient to determine the water quality within each major Semitropic system.

7.2.4 The Original Banking Partners shall have no responsibility and/or obligation to compensate or otherwise provide mitigation to Semitropic or SWRU Banking Partners as a result of any adverse impacts of the Original Banking Program on water quality that affects the SWRU.

7.3 15-Foot/3 Year Rule

7.3.1 The Original Banking Partners shall have no responsibility and/or obligation to compensate or otherwise provide mitigation to Semitropic or SWRU Banking Partners as a result of any adverse impacts of the Original Banking Program on the SWRU, including but not limited to the “15 Foot/3 Year Rule” contained in the September 14, 1994 Memorandum of Understanding referred to in Section 5.5 (“MOU”).

7.3.2 Semitropic shall endeavor to operate the SWRU to ensure that it has no adverse impacts to the Original Banking Program including, but not limited to, capability of the Original Banking Program to avoid reduction in or termination of Stored Water pumping, in current and future years.

In this regard, the Original Banking Program Agreements provide that if SWRU pumping directly or indirectly causes such an adverse impact, Semitropic shall assume all obligations to provide mitigation to the impacted Original Banking Partner(s), consisting of a like amount of water to be provided by Semitropic, which is of quality acceptable for delivery into the California Aqueduct, on a schedule acceptable to the affected Original Banking Partner(s) and in Reach 10 of the California Aqueduct, all as would have been available to the Original Banking Partner(s) absent the SWRU operations. In the event the SWRU causes a violation of the 15-foot/3-year rule, such that Stored Water cannot be returned to the California Aqueduct and, if resolution of impacts is delayed, Semitropic shall provide mitigation. If resolution of impacts caused by SWRU operations is untimely, then mitigation shall be as selected by each affected Original Banking Partner, from the following:

(a) Semitropic shall, if directed by an Original Banking Partner, and at such Original Banking Partner’s sole discretion, by whatever means and facilities are available at that time, credit an equivalent amount of water to the Original Banking Partner’s Storage Account and shall not charge the Original Banking Partner the storage payment provided for by Section 6.2 (Storage Payments), with the result that the Original

Banking Partner's Storage Account is credited with the amount of the "put"; without being debited the ten percent (10%) loss in Article IV; or

(b) Semitropic shall reimburse the affected Original Banking Partner(s) for all costs associated with acquiring an equivalent amount of water; or

(c) Other remedy mutually agreeable to the affected Banking Partner and Semitropic.

If Semitropic notifies Participant that this second paragraph of Section 7.3.2 may become operative, and the Participant notifies Semitropic that it nonetheless requests that Semitropic continue the return of Stored Water, Participant shall provide the mitigation on behalf of Semitropic which is herein required.

7.3.3 For purposes of determining whether reduction or termination of Stored Water pumping is required, Original Banking Program and SWRU groundwater level impacts, both for current conditions and forecasted conditions, shall be determined by Semitropic through groundwater modeling using the following methodology:

(a) Groundwater levels shall be estimated based on no Semitropic banking operations occurring (i.e. without Original Banking Program or SWRU);

(b) Groundwater levels shall be estimated based on only the Original Banking Program operations and without the SWRU operations; and

(c) Groundwater levels shall be estimated based on combined operations of the Original Banking Program and SWRU operations (i.e., actual conditions).

The groundwater level impacts due to the Original Banking Program at any given

location as prescribed by the September 14, 1994 MOU shall be the difference between groundwater levels in Paragraphs (a) and (b) above. The groundwater level impacts due to the SWRU at any given location as prescribed by the MOU shall be the difference between groundwater levels in Paragraphs (b) and (c) above. Groundwater level impacts due to the difference between groundwater levels in Paragraphs (a) and (c) shall be determined consistent with the process prescribed by the MOU.

Semitropic shall periodically provide the Technical Advisory Committee information regarding the change in groundwater elevation measured at locations needed to identify any impacts of the SWRU on the 15-foot/3 year rule.

7.4 Technical Advisory Committee

A Technical Advisory Committee (“TAC”) shall monitor implementation of Original Banking Program Agreements, as amended and the agreements governing the rights of SWRU Banking Partners. The Committee shall consist of one representative from each of the Original Banking Partners so long as each is a participant in the Program, one representative from the SWRU and one representative from Semitropic. The SWRU representative shall be annually selected by the SWRU Banking Partners based on their respective Shares. Semitropic shall chair such Committee and provide for periodic communication with Committee members. The TAC shall meet at least annually to discuss implementation and operation of the SWRU and any future programs. Any two members of the TAC may call a meeting of the TAC. Meetings of the TAC shall be held at the District’s headquarters, unless its members agree otherwise.

ARTICLE 8.
DIVISION OF RISK RESPONSIBILITIES

Semitropic and Participant agree to cooperate, and Semitropic shall require other Banking Partners to cooperate, in reducing, to the greatest extent practicable, the risk from claims arising against any of the Parties from implementation of this Agreement. In the event of claims by third parties relating to this Agreement, the responsibilities of Semitropic, Participant and the other Banking Partners shall be divided as follows:

8.1 Semitropic shall defend, indemnify and hold harmless Participant and the other Banking Partners, and their respective directors, officers, agents and employees against any and all losses, claims, demands and causes of action (herein collectively referred to as "**claims**") and shall assume responsibility for payment of any settlements, judgments, costs and attorneys' fees arising from claims concerning the following:

- (a) Control, carriage, handling, use, disposal, or distribution of water in Semitropic's facilities;
- (b) Any contest or dispute by any landowner or water user within the service area of, or otherwise served by, Semitropic concerning the allocation of benefits among or the assessment of charges to Semitropic landowners or water users;
- (c) Construction, repair, modification, or replacement of any Semitropic facilities;
- (d) Semitropic's operation of the Program or Semitropic facilities or the actions of its officers, employees or agents; and
- (e) Any other activities under Semitropic's exclusive control.

If Participant is named in any such action, it may submit its defense to Semitropic, which shall bear the full cost of defense, except to the extent that Participant utilizes its own counsel for such defense. Notwithstanding the foregoing, the responsibility for any claims challenging the validity, underlying authority or enforceability of the Program under this Agreement shall be as provided at Section 8.3.

8.2 Each Banking Partner (including Participant) shall defend, indemnify and hold harmless Semitropic and the other Banking Partners, and their respective directors, officers, agents and employees, against any and all claims and shall assume responsibility for payment of any settlements, judgments, costs or attorneys' fees arising from claims concerning the following:

(a) Control, carriage, handling, use, disposal or distribution of Stored Water in facilities of that Banking Partner or in SWP facilities, to the extent that the claim relates to use of SWP facilities to implement this Agreement with respect to that Banking Partner;

(b) Any claim by a landowner, resident, public agency or other entity within the service area of, or otherwise served by, that Banking Partner challenging the appropriateness of that Banking Partner entering into this Agreement;

(c) Construction, repair, modification or replacement of any of the facilities of that Banking Partner;

(d) Operation of the facilities of or the actions of the officers, employees or agents (other than Semitropic) of that Banking Partner; and

(e) Any other activities under the exclusive control of that Banking Partner.

If Semitropic is named in any such action, it may submit its defense to the Banking Partner involved, which Banking Partner shall bear the full cost of defense, except to the extent Semitropic utilizes its own counsel for such defense. Notwithstanding the foregoing, the responsibility for any claims challenging the validity, underlying authority or enforceability of the Program under this Agreement shall be as provided at Section 8.3. Semitropic shall not be entitled to any indemnification from Participant except as set forth in this Section 8.

8.3 As for any claims by a third party with respect to the SWRU which are not otherwise provided for at Sections 8.1 or 8.2, including any claims challenging the underlying authority for or the validity or enforceability of the SWRU under this Agreement, each SWRU Banking Partner shall be responsible for payment of its allocable share of any settlements or judgments to which it is a party with respect to such claims. If Semitropic is named in any action with respect to such a claim, it may submit its defense to the SWRU Banking Partners, which are parties to that action with respect to that claim, and those SWRU Banking Partners shall bear the full cost of defense, except to the extent Semitropic utilizes its own counsel for such defense.

8.4 At the request of Participant and/or other SWRU Banking Partners, Semitropic shall join in the defense of any claim which is not adverse to Semitropic's water supply or financial interests in which case the requesting Party shall reimburse Semitropic for all of its costs of defense. However, and notwithstanding Section 8.3 with respect to claims in which one or more of the plaintiffs resides or does business in Kern County challenging the recovery of groundwater under this Agreement, and with respect to any third party claim challenging this Agreement or the right of Participant to the return of its Stored Water in accordance with the terms of this Agreement, Participant may demand that Semitropic join in the defense of claims. In such case, Semitropic must comply with any such demand, the Parties shall jointly manage the litigation, and Participant and other SWRU Banking Partners who are parties to such litigation shall pay one-half of Semitropic's defense costs, if one or more of the plaintiff resides or does business in Kern County; and in other such cases, shall reimburse Semitropic for all of its costs of defense.

8.5 In all other water banking and exchange agreements involving Semitropic and any SWRU Banking Partner, the division of risk and indemnification responsibilities between and among Semitropic and the SWRU Banking Partner(s) shall be identical to the responsibilities provided in Sections 8.1, 8.2, 8.3, 8.4 and 8.6. In particular:

8.5.1 Each SWRU Banking Partner shall be required to assume the duty to defend, indemnify and hold harmless Semitropic and the other SWRU Banking Partners from claims arising from or otherwise concerning the activities described in Section 8.2 of that SWRU Banking Partner.

8.5.2 Each Banking Partner shall be required to assume the duty to pay its allocable share of any claims of the type described in Section 8.3. Unless otherwise provided in the settlement or judgment, each SWRU Banking Partner's share of such settlements, judgments, or attorney fees as provided at Section 8.3 shall be determined according to the ratio of that SWRU Banking Partner's Share of SWRU divided by the sum of all involved SWRU Banking Partners' Share of SWRU.

8.6 In the event that payments are made in settlement of a claim, in satisfaction of a judgment or for defense costs where the claim arises from issues applying to both Semitropic and one or more SWRU Banking Partners, payments shall be divided in proportion to the relative liability of each arising from the common claim. If the Parties cannot agree on the proportion, then the share to be paid by each of Semitropic and the SWRU Banking Partners shall be submitted to binding arbitration as provided at Article 10 hereof.

ARTICLE 9.
REQUIRED FOR IMPLEMENTATION

Implementation of this Agreement is contingent upon:

9.1 Execution of appropriate Delivery Agreement(s) or other documentation allowing for water transfer and delivery which is acceptable to Semitropic, between Participant and all affected parties such as DWR, the Agency, etc.

9.2 Delivery of a Letter of Credit to Semitropic, as provided in Section 6.2.2.

The Parties will keep each other informed concerning the satisfaction of Article 9 Conditions.

ARTICLE 10.
DISPUTE RESOLUTION

10.1 In the event of a dispute regarding interpretation or implementation of this Agreement, or if the parties are unable to agree upon a matter as to which their agreement is provided for hereunder, the Parties will endeavor to resolve the dispute by using the service of a mutually acceptable consultant. The fees and expenses of the consultant shall be shared equally by the Parties.

10.2 If a consultant cannot be agreed upon, or if the consultant's recommendations are not acceptable to the Parties, and unless the Parties otherwise agree, the matter shall be resolved by arbitration as provided in this Article 10 and in the California Arbitration Act (Part 3 [commencing with § 1280], Tit. 9, Calif. Code Civ. Proc.), including Section 1283.05. The Parties agree to be bound by the majority decision of a three-member panel to be selected as follows:

(a) One member shall be selected by Participant (or if the dispute is between various Banking Partners and Semitropic, the Banking Partners involved shall collectively agree on the member).

(b) One member shall be selected by Semitropic; and

(c) The third member shall be selected by the other two (2) members.

If the two (2) members selected by the Banking Partner(s) and Semitropic are unable to agree on the selection of a third member or if Banking Partners are unable to agree on a member among themselves, either Party may petition a court to appoint such member pursuant to Code of Civil Procedure Section 1281.6. The fees and expenses of the panel members shall be paid as follows: Semitropic pays for its member, Participant pays for its member (or if the dispute involves more than one Banking Partner, the participating Banking Partners share the fees and expenses of the member according to the ratio of each participating Original Banking Partner's Permanent Storage Allocation and each participating SWRU Banking Partner's SWRU Storage Capacity divided by the sum of all participating Original Banking Partner's Permanent Storage Allocation and the sum of all participating SWRU Banking Partner's SWRU Storage Capacity), and the fees and expenses of the third member of the panel shall be shared fifty percent (50%) by Semitropic with the remainder to be shared among the other Banking Partners participating in the dispute resolution process according to the same formula immediately referenced above. Alternatively, if the dispute is between Banking Partners and Semitropic has no direct interest in the outcome, the total costs of arbitration shall be paid by the Banking Partners according to the ratio of each participating Original Banking Partner's Permanent Storage Allocation and each participating SWRU Banking Partner's SWRU Storage Capacity divided by the sum of all participating Original Banking Partner's Permanent Storage Allocation and the sum of all participating Original Banking Partner's SWRU Storage Capacity. (As an example if (i) all Banking Partners are involved in a dispute, (ii) a Participant has 20,000 Shares (thus having SWRU Storage Capacity of 60,000 AF), (iii) all Original Banking Partners have fully vested Permanent Storage Allocations and (iv) 100,000 SWRU Shares have been acquired (represents SWRU Storage Capacity of 300,000 AF) then the Participant's share of such costs allocated among the Banking Partners would be $60,000 / (1,000,000 + 300,000) = 4.62\%$.)

If a Party asserts that another Party has breached obligations under this Agreement, it may request that the arbitration panel order the other Party to comply with this Agreement. Upon the panel finding that a Party has in fact breached this Agreement, the panel shall order

compliance. The panel may order any other equitable relief permitted by California law, including declaratory or injunctive relief, applicable to the matter before the panel for resolution. If termination is sought by a party pursuant to the terms hereof, the panel may determine the issues of whether a default has occurred or other condition precedent to the termination alleged has been satisfied and, if so, may issue orders implementing that termination. The orders of the panel shall be judicially enforceable. The panel may order that the effective date of its order be the date of the breach, if appropriate.

ARTICLE 11.

TERM OF AGREEMENT

11.1 The initial term of this Agreement shall terminate on December 31, 2035, the date of termination of the Agency's Long-Term Water Supply Contract.

11.2 At the election of Participant, this Agreement may be renewed by Participant for an additional term of 10 years on the terms and conditions set forth herein by providing notice of renewal to Semitropic not later than six months prior to the expiration of the initial term of this Agreement; provided, that Semitropic may reject such notice of renewal and terminate this Agreement at the end of the initial term if, at the end of the initial term, Semitropic will no longer be engaged in water banking for any party other than water banking for the direct benefit of its landowners. Further, if Semitropic's water supply contract with the Agency governing Semitropic's State Water Project water supply is not renewed, or if it is renewed with terms materially different from Semitropic's water supply contract in effect as of the effective date of this Agreement and such different terms materially and adversely affect (i) the economic consequences of this Agreement to Semitropic or (ii) Semitropic's ability to perform under this Agreement, then after Participant delivers its notice of renewal the parties shall negotiate equitable amendments to this Agreement to mitigate those adverse effects

11.3 After that first renewal term, Participant shall have the right to renew this Agreement for an additional term of 10 years on the terms and conditions applicable during the first renewal period (provided Semitropic is continuing banking programs with third parties as

provided in Section 11.2) by providing notice of renewal to Semitropic not later than six months prior to the expiration of then current term of this Agreement; provided, that Semitropic may reject any such notice of renewal and terminate this Agreement at the end of the then current term. However, if Semitropic rejects such a notice and then offers water banking services to any other party utilizing the same capacities as provided under this Agreement, such services shall be offered first to Participant at the same level and on the same terms offered to such other party.

ARTICLE 12. REMEDIES

12.1 Remedies in Event of Semitropic's Voluntary Failure to Perform

12.1.1 If Participant alleges that Semitropic has not substantially performed according to the terms of this Agreement (including, but not limited to, by failing to construct adequate SWRU Facilities and/or securing agreements or operational arrangements, all as necessary to provide those levels of capabilities, capacities and rights described in this Agreement, or by causing (or, if within Semitropic's jurisdiction, permitting) other entities or persons to interfere with the SWRU operation, or by failing to accept or return water as and when required by this Agreement), or if Semitropic has otherwise breached its obligations under this Agreement, and notice has been provided to Semitropic pursuant to Section 13.4 and Semitropic has failed to cure the alleged breach within the time provided in Section 13.4, Participant may, at any time thereafter while the default is continuing, advise Semitropic of the remedy or remedies provided in Article 10 (Dispute Resolution), and Sections 12.1.2 below which Participant intends to pursue with respect to such default. Semitropic may challenge at any time, through Article 10, whether in fact there has been a breach of or default under this Agreement by Semitropic.

12.1.2 In the event of an alleged breach as to which Participant has given notice to Semitropic pursuant to Section 12.1.1, Participant may elect to suspend any payment obligations it may have under Article 6 of this Agreement until Semitropic complies with the terms of this Agreement and cures such breach or default or is determined, pursuant to Article 10,

not to have violated the Agreement. Notwithstanding such suspension of Participant's payment obligations, this Agreement shall remain in effect. Notwithstanding an election by Participant under this Section 12.1.2 to suspend payment obligations, Participant or Semitropic may thereafter also seek relief under Article 10.

12.2 Remedies in the Event of Participant's Voluntary Failure to Perform

If Participant has not substantially performed according to the terms of this Agreement, and notice has been provided to Participant pursuant to Section 13.4 and Participant has failed to cure the alleged breach within the time provided in Section 13.4, Semitropic may at its election, at any time thereafter while the default is continuing, either (1) suspend further performance and thereafter seek relief under Article 10, and shall recommence performance once Participant complies with the Agreement, or (2) may pursue other remedies available as provided by law. Participant may challenge at any time, through Article 10, whether in fact there has been a breach of this Agreement by Participant. In addition to other remedies herein provided, Semitropic shall have all remedies provided under Section 6.2.2 and the applicable Letter of Credit then in effect in the event that Participant is delinquent in payment of capital payments due under Section 6.2.1.

ARTICLE 13

MISCELLANEOUS PROVISIONS

13.1 Successors and Assigns. This Agreement shall bind and inure to the benefit of the successors and assigns of the Parties; provided, however, neither Party shall assign any of their rights or obligations under this Agreement without the prior written consent of the other. Provided, further, that Participant may subcontract with other entities to receive benefits under this Agreement, provided that Participant shall remain responsible for performing all duties under this Agreement, notwithstanding such subcontracts. Further, Semitropic acknowledges that Participant will be delivering and recovering water under this Agreement for the benefit of its members (or entities in which members hold their interests), all of which are consented to by Semitropic, provided that Participant shall remain responsible for performing all duties under

this Agreement. Nothing in this Agreement is intended to confer any right or remedy under this Agreement on any person other than the Parties to this Agreement and their respective successors and permitted assigns, or to relieve or discharge any obligation or liability of any person to any Party to this Agreement, or to give any person any right of subrogation or action over or against any Party to this Agreement.

13.2 Allocation Among Semitropic Improvement Districts. Semitropic shall allocate the rights and obligations under this Agreement between the water users and landowners of Semitropic Water Storage District, Semitropic Improvement District, Buttonwillow Improvement District and Pond-Poso Improvement District as it deems appropriate, so long as Participant's and the other Banking Partners right to obtain the return of Stored Water is not adversely impacted.

13.3 No Modification of Existing Contracts. This Agreement shall not be interpreted to modify the terms or conditions of any of (a) the water supply contracts between the DWR and the Agency or Participant (b) the water supply agreements between the Agency and Semitropic and (c) any agreements (and amendments thereto) with any of the Original Banking Partners as they exist as of the date of this Agreement.

13.4 Waiver/Cure of Defaults. The failure of any Party to enforce against the other a provision of this Agreement shall not constitute a waiver of that Party's right to enforce such a provision at a later time. No Party shall be deemed to be in default of any provision of this Agreement unless the other Party has given written notice specifically stating the alleged default and the Party in default fails to cure the default within thirty (30) days of receipt of such written notice.

13.5 Construction of Agreement. The language in all parts of this Agreement shall be in all cases construed simply according to its fair meaning and not strictly for or against any of the parties hereto and Section 1654 of the Civil Code has no application to interpretation of this Agreement. Headings at the beginning of Sections, paragraphs and subparagraphs of this Agreement are solely for the convenience of the parties, are not a part of this Agreement and

shall not be used in construing it. The preamble, recitals and all exhibits and schedules to this Agreement are part of this Agreement and are incorporated herein by this reference. When required by the context: whenever the singular number is used in this Agreement, the same shall include the plural, and the plural shall include the singular; and the masculine gender shall include the feminine and neuter genders and vice versa. Unless otherwise required by the context (or otherwise provided herein): the words "**herein**," "**hereof**" and "**hereunder**" and similar words shall refer to the Agreement generally and not merely to the provision in which such term is used; the word "**person**" shall include individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority and other entity of whatever nature; each of the words "**Participant**" and "**Semitropic**" shall include the respective representatives, successors and permitted assigns, if any, of such person; the words "**including**," "**include**" or "**includes**" shall be interpreted in a non-exclusive manner as though the words "but [is] not limited to" or "but without limiting the generality of the foregoing" immediately followed the same; the word "**month**" shall mean calendar month; and the term "**business day**" shall mean any day other than a Saturday, Sunday or legal holiday. If the day on which performance of any act or the occurrence of any event hereunder is due is not a business day, the time when such performance or occurrence shall be due shall be the first business day occurring after the day on which performance or occurrence would otherwise be due hereunder. All times provided in this Agreement for the performance of any act will be strictly construed, time being of the essence of this Agreement. Unless otherwise required by Contract (or otherwise provided herein), references to capacity in AF shall refer to annual capacities (except as to a Storage Account Balance or stored water, which shall be a cumulative value).

13.6 **Entire Agreement.** This Agreement and other documents expressly referenced herein constitute the entire agreement between the Parties pertaining to the matters provided for herein and, except as herein provided, supersedes all prior and/or contemporaneous agreements and understanding, whether written or oral pertaining between the Parties relating to the matters provided for herein.

13.7 **Severability.** In the event that a court of competent jurisdiction or a arbitration panel as provided at Article 9 determines that a provision included in this Agreement is legally invalid or unenforceable and such decision becomes final, the Parties to this Agreement shall use their best efforts to (i) within thirty (30) days of the date of such final decision identify by mutual agreement the provisions of this Agreement which must be revised, and (ii) within three (3) months thereafter promptly agree on the appropriate revision(s). The time periods specified above may be extended by mutual agreement of the Parties. Pending the completion of the actions designated above, to the extent it is reasonably practical and can be done without violating any applicable provisions of law, the provisions of this Agreement which were not found to be legally invalid or unenforceable in the final decision shall continue in effect. If the Parties cannot agree on appropriate revisions, this Agreement shall be involuntarily terminated in accordance with Section 13.2.

13.8 **Force Majeure.** All obligations of the Parties other than monetary or payment obligations shall be suspended for so long as and to the extent the performance thereof is prevented, directly or indirectly, not to exceed one year, by earthquakes, fires, tornadoes, facility failures, floods, drownings, strikes, other casualties, acts of God, orders of court or governmental agencies having competent jurisdiction, or other events or causes beyond the control of the Parties. Other events or causes beyond the control of the Parties shall have the same meaning as "Reasons beyond its control" in Section 12.2. In no event shall any liability accrue against a Party, to its officers, agents or employees, for any damage arising out of or connected with a suspension of performance pursuant to this Section 13.8. In event of such an occurrence of duration in excess of one year, Section 12.2 shall control, unless the Parties otherwise agree.

13.9 **Notices.** All notices, requests and demands hereunder ("**Notices**") shall be in writing and shall be deemed to have been duly given when delivered (or, if mailed, postage prepaid, on the third business day after mailing, if that date is earlier than actual delivery). Notices shall be sent to a Party at the address of that Party set forth below or, if such Party has furnished notice of a change of that address as herein provided, to the address of that Party most recently so furnished. Notices for Semitropic shall be sent to the General Manager of Semitropic


at Post Office Box 8043, Wasco, California 93280, if mailed, and otherwise to the General Manager at 1101 Central Avenue, Wasco, California 93280. Notices for Participant shall be sent to Managing Member, 1326 West Herdon, Suite 101, Fresno, California, 93711. Each Party hereto (a "**Recipient**") who receives from another Party hereto (a "**Sender**") by electronic facsimile transmission (telecopier) any writing which appears to be signed by that Sender is authorized to rely and act upon that writing in the same manner as if the original signed writing was in the possession of the Recipient upon oral confirmation of that Sender to the Recipient that the writing was signed by that Sender and is intended by that Sender to be relied upon by the Recipient. Each Party transmitting any writing to any other Party by electronic facsimile transmission agrees to forward immediately to that Recipient, by expedited means (for next day delivery, if possible), or by first class mail if the Recipient so agrees, the signed hard copy of that writing, unless the Recipient expressly agrees to some other disposition of the original by the Sender.

13.10 **Further Assurances.** Each party hereto, upon the request of the other, agrees to perform such further acts and to execute and deliver such other documents as are reasonably necessary to carry out the provisions of this instrument.

13.11 **Counterparts.** This Agreement, and any document or instrument entered into, given or made pursuant to this Agreement or authorized hereby, and any amendment or supplement thereto may be executed in two or more counterparts, and by each party on a separate counterpart, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document. Any signature page of this Agreement or of such an amendment, supplement, document or instrument may be detached from any counterpart without impairing the legal effect of any signatures thereon, and may be attached to another counterpart identical in form thereto but having attached to it one or more additional signature pages. In proving this Agreement or any such amendment, supplement, document or instrument, it shall not be necessary to produce or account for more than one counterpart thereof signed by the party against whom enforcement is sought.

Executed the day and year first hereinabove written.


HOMER, LLC

By: 

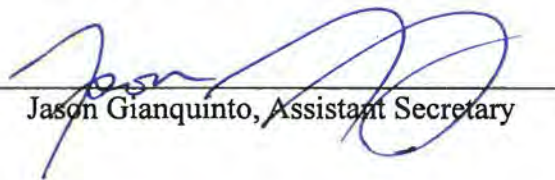
J. Peter Sullivan
Authorized Signor

By: _____

SEMITROPIC WATER STORAGE DISTRICT


By: 

Fredrick A. Wegis, President

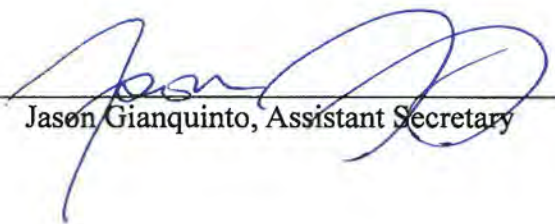
By: 

Jason Gianquinto, Assistant Secretary

**SEMITROPIC IMPROVEMENT DISTRICT
OF SEMITROPIC WATER STORAGE DISTRICT**

By: 

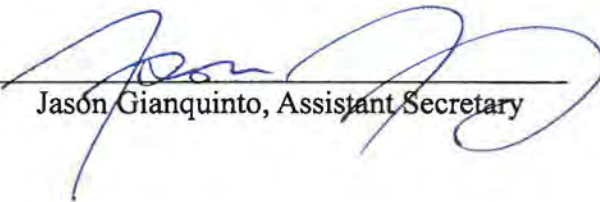
Fredrick A. Wegis, President

By: 


Jason Gianquinto, Assistant Secretary

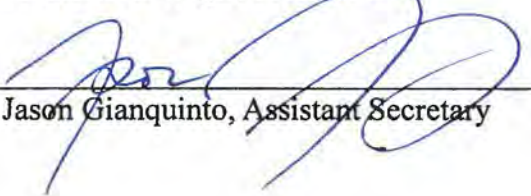
**BUTTONWILLOW IMPROVEMENT DISTRICT
OF SEMITROPIC WATER STORAGE DISTRICT**

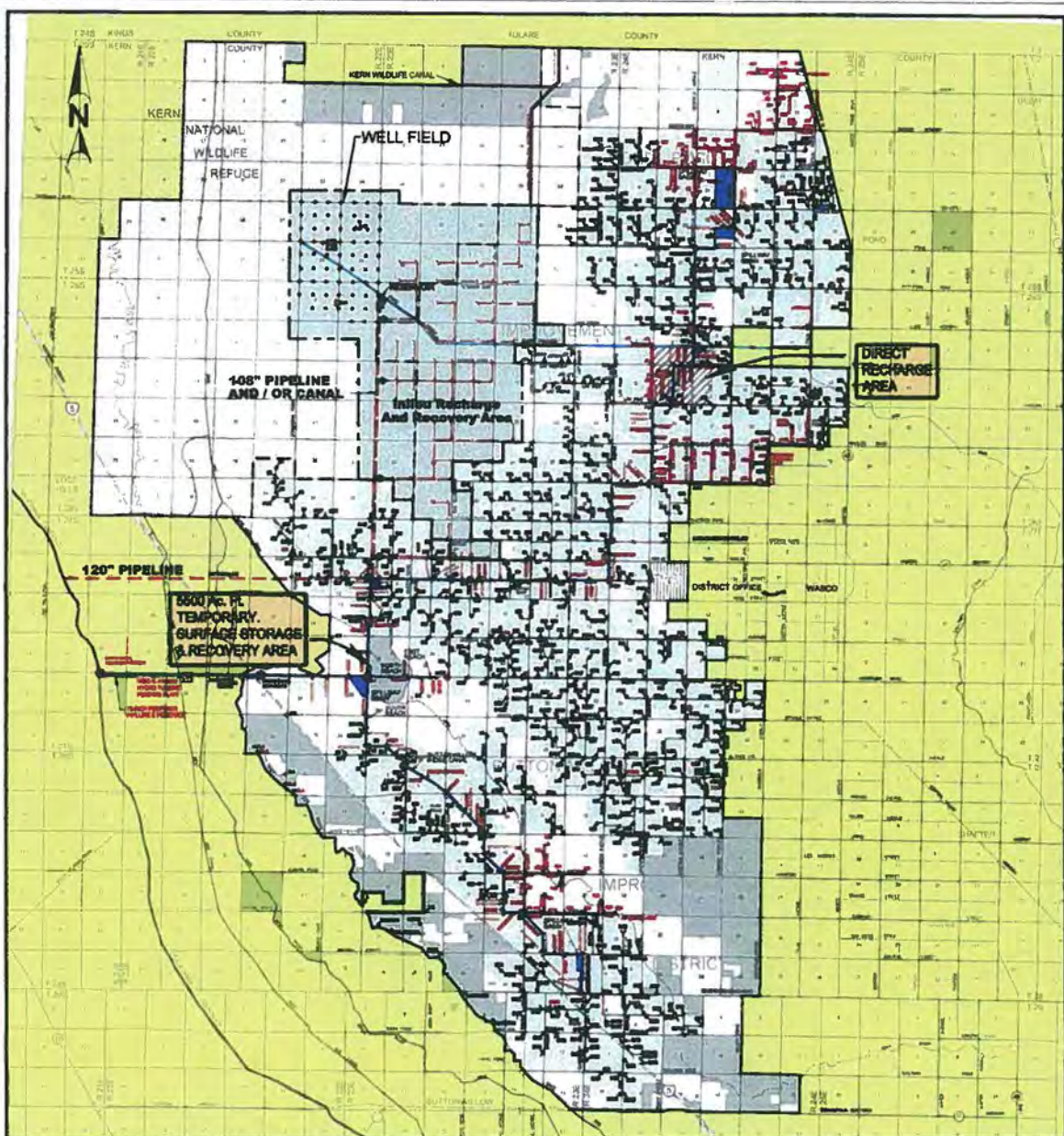
By: 
Fredrick A. Wegis, President

By: 
Jason Gianquinto, Assistant Secretary

**POND-POSO IMPROVEMENT DISTRICT
OF SEMITROPIC WATER STORAGE DISTRICT**

By: 
Fredrick A. Wegis, President

By: 
Jason Gianquinto, Assistant Secretary



SEMITROPIC WATER STORAGE DISTRICT

"SEMITROPIC BANK" FACILITIES

JANUARY 2007
 SCALE IN MILES
 0 1 2 3

- SEMITROPIC WATER STORAGE DISTRICT BOUNDARY
- IMPROVEMENT DISTRICT BOUNDARY
- CANAL AND RECHARGE FACILITIES
- AREA 'A'
- AREA 'B'
- FUTURE IMPROVEMENTS
- ADDITIONAL FACILITIES
 (i.e. Constructed or planned to construct after 2003 - not part of original program facilities)

- LEGEND**
- DISTRICT SUBSTATION
 - TURBINE
 - RECHARGE WELLS
 - TURBINES IDENTIFIED BY J.P.S. AND IF ARE ALSO RECHARGE WELLS
 - NEW METER & CANAL PUMPS
 - DISTRICT RECOVERY WELL LOCATION (S)
 - BOOSTER PLANT
 - IN-CANAL PUMP
 - PIPELINE LATERAL
 - PROPOSED SBRM WELL
 - EXISTING SBRM PUMP-OUT WELL
 - SBRM FUTURE PIPELINE LATERAL
 - SBRM BOOSTER PLANT
 - SBRM FUTURE PUMPING PLANT
 - PUMPING PLANT
 - REVERSE STAND PIPE
 - ANCHOR RESERVOIR
 - 100 & 5 FPM (1000 GPM) PUMP
 - 100 & 5 FPM (1000 GPM) PUMP BACK PUMPING PLANT
 - 100 & 5 FPM (1000 GPM) REVERSE FLOW PUMP
 - 100 & 5 FPM (1000 GPM) STRUCTURE
 - 100 & 5 FPM (1000 GPM) STRUCTURE

EXHIBIT "A"



STORED WATER RECOVERY UNIT PROGRAM DELIVERY CAPABILITY

INTRODUCTION:

The In-Lieu Service Area authorized in the Stored Water Recovery Unit (SWRU) Environmental Impact Report (EIR) consists of 14,300 acres of actively farmed land. Semitropic's commitment to the SWRU Banking Partners is that at full development there will be in excess of 14,300 acres of In-Lieu Service Area or its equivalent in direct recharge capability. This amount of acreage on behalf of all SWRU Participants will ultimately be located to the maximum extent possible within Area B and the balance of the acreage required from within Area A of Exhibit A. The required recharge facilities may be a combination of In-Lieu recharge and direct recharge facilities.

In the event cropping patterns or irrigation practices change within any In Lieu recharge area the assumed average annual quantity of water each acre of land requires for irrigation, Semitropic shall not be obligated to increase its commitment to develop 14,300 acres of in-lieu land at full program development.

- I. Maximum Annual Estimated Program Delivery Capability:
 - 1. Firm Recharge Capability by
In-Lieu and/or Direct Recharge Facilities 100,000 AF/YR
(Note: In-Lieu Capability is based
on 3.5AF/AC)
 - 2. Potential Unused Semitropic Delivery Capability
On a When Available Basis 475,000 AF/YR ⁽¹⁾

- II Participant's Share of Maximum Annual Estimated Program Delivery Capability:
 - 1. Firm Recharge Capability By In Lieu and/or
Direct Recharge 5,000 AF/YR
 - 2. Share of Unused Recharge Capability 0 – 475,000 AF/YR

⁽¹⁾ This does not include potential Recharge on the Kern Water Bank (KWB) of about 30,000 AF/YR. Other capacity in the KWB that is not used by other KWB participants may also be available from time to time.

Expected Monthly Distribution of Participant's Share of Maximum Estimated Program Delivery Capability If Recharged By In Lieu Means:

	Historical Deliveries on 66,800 Acres+ Average of '84, '89 and '93		Estimated Monthly Distribution of SWRU Delivery Capacity Acre-Feet Per Month If By In-Lieu Means
	Acre-Feet	Percent	
JANUARY	* 2,444	1.0	1,000
FEBRUARY	* 22,185	9.8	9,800
MARCH	21,185	9.6	9,600
APRIL	17,984	7.9	7,900
MAY	24,373	10.6	10,600
JUNE	36,138	15.9	15,900
JULY	41,123	18.1	18,100
AUGUST	34,084	15.1	15,100
SEPTEMBER	12,310	5.4	5,400
OCTOBER	6,373	2.8	2,800
NOVEMBER	4,015	1.9	1,900
DECEMBER	4,206	1.9	1,900
TOTAL	226,420 AF	100.0	100,000/AF

* Average of 1984 and 1989 only

Semitropic Water Storage District
 Amortization Schedule, Homer LLC.
 10/10/2012
 Final 01/15/2013

Inputs

No of Shares:	5,000.00
Share Price:	1,300.00
Total Capital:	6,500,000.00
Down Pmt:	2,000,000.00
Total Capital:	\$ 4,500,000.00
Interest :	5.5000%
Term (Years):	10
Payments per Year:	1
Surety obligation as % of	30%

Payment Due	Balance	Interest	Payment	Principal	Surety Obligation
				4,500,000.00	30%
January 1, 2014	4,500,000.00	247,500.00	(155,926.09)	4,591,573.91	1,377,472.17
January 1, 2015	4,591,573.91	252,536.57	(202,703.92)	4,641,406.56	1,392,421.97
January 1, 2016	4,641,406.56	255,277.36	(263,515.09)	4,633,168.83	1,389,950.65
January 1, 2017	4,633,168.83	254,824.29	(342,569.62)	4,545,423.50	1,363,627.05
January 1, 2018	4,545,423.50	249,998.29	(445,340.50)	4,350,081.29	1,305,024.39
January 1, 2019	4,350,081.29	239,254.47	(578,942.65)	4,010,393.10	1,203,117.93
January 1, 2020	4,010,393.10	220,571.62	(752,625.45)	3,478,339.27	1,043,501.78
January 1, 2021	3,478,339.27	191,308.66	(978,413.09)	2,691,234.85	807,370.45
January 1, 2022	2,691,234.85	148,017.92	(1,271,937.01)	1,567,315.75	470,194.72
January 1, 2023	1,567,315.75	86,202.37	(1,653,518.12)	0.00	0.00

Exhibit C

PROMISSORY NOTE

\$4,500,000

In installments as herein stated, for value received, HOMER, LLC, formed pursuant to California law ("Maker"), agrees to pay to the order of SEMITROPIC IMPROVEMENT DISTRICT OF SEMITROPIC WATER STORAGE DISTRICT, an improvement district of a California water storage district ("Payee"), at Post Office Box 8043, Wasco, California 93280, or at such other location as Payee may from time to time designate, the principal sum of FOUR MILLION, FIVE HUNDRED THOUSAND DOLLARS (\$4,500,000.00) together with interest from the date hereof on unpaid principal at the rate of 5.50% per annum; principal and interest payable in annual installments as shown on Exhibit 1, including accrued interest, commencing January 1, 2014, and continuing on each January 1 thereafter until the Note is paid in full, all as shown on the payment schedule attached hereto and incorporated by this reference as Exhibit 1 hereof.

This note shall be governed by the following provisions:

1. All payments required or permitted hereunder shall be applied first to interest on the outstanding principal balance at the interest rate stated in the Note and any balance shall be applied to reduction of principal, and interest shall thereafter cease on the principal so paid. Principal and interest shall be payable in lawful money of the United States. Interest not paid when due shall bear interest at the rate of 12% per annum.
2. This note is partially secured by the Security, which consists of:
 - (a) A portion of Homer LLC's Stored Water valued at \$80 per acre-foot pursuant to Section 6.2.2(a) of that certain "Agreement Between Homer, LLC and Semitropic Water Storage District and its Improvement Districts for Participation in the Stored Water Recovery Unit of the Semitropic Water Bank and Exchange Program," having an effective date of October 1, 2012 ("Banking Agreement").
 - (b) A Letter of Credit provided for the benefit of Payee pursuant to Section 6.2.2(b) of the Banking Agreement.
3. The occurrence of any of the following shall constitute an "Event of Default":
 - (a) The failure of Maker to pay any installment of principal or interest on this note within fifteen days following the due date for the payment of such installment;
 - (b) Default in the performance of any obligation contained in the Banking Agreement or any other instrument (including any amendment, modification or extension thereof) given for the purpose of securing this note, which default is not cured within the time period specified therein, if any period is provided;

4. Upon the occurrence of any such Event of Default, then at the option of Payee, the entire unpaid balance of principal on this note, together with all accrued interest thereon, shall be immediately due and payable.

5. If an Event of Default occurs, Maker promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and costs and expert witness fees and costs and all costs of appeals incurred by Payee on account of such collection whether or not suit is filed hereon.

6. This note shall be governed by and construed in accordance with the laws of the State of California.

7. Reference in this Note to "Payee" shall mean the original Payee hereunder so long as such Payee shall be the holder of this Note and thereafter shall mean any subsequent holder of this note.

8. Time is of the essence of each obligation of Maker hereunder.

9. No delay or omission on the part of Payee in exercising any rights hereunder or under the Security, any guaranty or any other instrument given to secure this note shall operate as a waiver of such right or of any other right hereunder or under said instruments.

10. Maker shall have the unconditional right to prepay this Note in Maker's sole and absolute discretion without incurring any prepayment penalty or fee.

HOMER, LLC

By _____

By _____

Semitropic Water Storage District
Amortization Schedule, Homer LLC.
10/10/2012
Final 01/15/2013

Inputs

No of Shares:		5,000.00
Share Price:		1,300.00
Total Capital:		6,500,000.00
Down Pmt:		2,000,000.00
Total Capital:	\$	4,500,000.00
Interest :		5.5000%
Term (Years):		10
Payments per Year:		1
Surety obligation as % of Principal:		30%

Payment Due	Balance	Interest	Payment	Principal	Surety Obligation
				4,500,000.00	30%
January 1, 2014	4,500,000.00	247,500.00	(155,926.09)	4,591,573.91	1,377,472.17
January 1, 2015	4,591,573.91	252,536.57	(202,703.92)	4,641,406.56	1,392,421.97
January 1, 2016	4,641,406.56	255,277.36	(263,515.09)	4,633,168.83	1,389,950.65
January 1, 2017	4,633,168.83	254,824.29	(342,569.62)	4,545,423.50	1,363,627.05
January 1, 2018	4,545,423.50	249,998.29	(445,340.50)	4,350,081.29	1,305,024.39
January 1, 2019	4,350,081.29	239,254.47	(578,942.65)	4,010,393.10	1,203,117.93
January 1, 2020	4,010,393.10	220,571.62	(752,625.45)	3,478,339.27	1,043,501.78
January 1, 2021	3,478,339.27	191,308.66	(978,413.09)	2,691,234.85	807,370.45
January 1, 2022	2,691,234.85	148,017.92	(1,271,937.01)	1,567,315.75	470,194.72
January 1, 2023	1,567,315.75	86,202.37	(1,653,518.12)	0.00	0.00

**Attachment to Exhibit D
Promissory Note - Exhibit 1**

STORED WATER RECOVERY UNIT

Project Facilities Maintenance Guidelines

Per Sections 6.4.2

In order to provide continued operational reliability of facilities under this agreement, Stored Water Recovery Unit (SWRU) Participants and Semitropic agree that the following guidelines will be followed by Semitropic or other party (mutually selected by SWRU Participants and Semitropic), in maintaining the SWRU facilities over the life of the agreement.

<u>Facility</u>	<u>Maintenance Activity</u>
Buried Pipelines	Per pipeline manufacturer's recommendations.
Above ground features (Piping, Farm Turnouts, Buildings, etc.)	Painting on a regular basis as required to minimize corrosion and maintain aesthetic appearance. Must meet or exceed Semitropic's current maintenance procedure of existing facilities.
Electrical System	Annually clean and check all features, including cabinetry breakers, transmission lines, substations(s), transformers, etc.
Productions Wells	
A. Standby Mode	
• Exercise pumps for at least 15 minutes	Semi-Annual
• Record rate of flow, check for unusual noise or Vibration, and proper lubrication	Semi-Annual
• Observe and record water levels prior to, during And after the operating period by sounding	Semi-Annual
• Inspection of all well sites; clean and Repair as needed	Monthly
• Inspect fencing, locks and motor control panels And repair as needed	Monthly
• Inspect and maintain all pumping units in Accordance with manufacturers specifications	Annual
• Collect and analyze water samples for Constituents of concern	Annual (One third of wells)
• Drinking water standards (Title 22)	5 years (or as otherwise req'd)

- Pump base, motor and exposed piping cleaned
And painted (as needed) Annual
- Fill completely and maintain oil level in pump Annual
- Motor reservoir sump to prevent moisture Annual (during periods of
Operation)
- Add anti-corrosion and anti-calcification
Chemicals into wells As required by well and
chemical experts

B. Operating Mode

- Check lubrication system Startup
- Obtain static water levels by sounding Startup
- Check and record discharge meter totalizer reading Startup
- Check pump and motor for excessive vibration,
Noise or heating Startup
- After 5 min. of operation, check and record
Discharge flow rate Startup
- Obtain pumping water levels by sounding Startup
- Check and maintain lubricating system Daily
- Read flow meter totalizer and report flow rate
and report flow rate and acre-feet pumped Daily
- If temperature is expected to be below 40 deg. F,
enable winding heaters Shut down
- Cover or remove motors from each well site Shut down
- Inspect discharge piping, valves and vents for
Operation, and then close Shut down

This policy should be reviewed and updated periodically by SWRU Participants and Semitropic.

SEMITROPIC WATER STORAGE DISTRICT
CALCULATION OF POWER PAYMENTS UNDER SECTION 6.5.1
Agreement for the Semitropic Water Banking and Exchange Program

BASIC FORMULA

$$(\text{ENERGY CONSUMED to WITHDRAW WATER from STORAGE}) \times \frac{(\text{TOTAL SEMITROPIC ENERGY COSTS})}{(\text{TOTAL ENERGY CONSUMED BY SEMITROPIC})} = (\text{WITHDRAWAL PAYMENTS})$$

Summary of components

ENERGY CONSUMED to WITHDRAW WATER from STORAGE (Water Banking activity to return stored water)

1. Energy used to extract ground water for Banking Partners, including:
 - a) Actual electric meter readings from Semitropic operated wells
 - b) Actual PG&E meter readings from bills submitted for payment under pumping agreements for operation of Semitropic landowner wells
 - c) Energy use under pumping agreements with Semitropic landowners for operation of wells where the actual KWH is unavailable (as in engine driven wells) use the formula:
KWH = 1.707 x (PUMPING LIFT in feet) x (ACRE-FEET EXTRACTED)
Where 1.707 is the conversion factor assuming 60% wire to water efficiency
Where the PUMPING LIFT is determined from the previous year's "Lines of Equal Pumping Lifts" by Bookman-Edmonston Engineering, Inc.
Where the ACRE-FEET EXTRACTED is from actual Semitropic water meter readings
 - d) Estimated use for released Contract Water (on-farm ground water pumping) use the same formula as above
2. Energy used to reverse the flow of Semitropic canals
 - a) From the actual electric meter readings at reverse flow pumping structures
The use shall be proportional to the water pumped for WITHDRAWAL for Banking Partners to the total water pumped by Semitropic
3. Energy used at the Semitropic's Pump-Back Pumping Plant to return water to the California Aqueduct
 - a) From the actual electric meter readings at the Pump-Back Pumping Plant
The use shall be proportional to the water pumped for WITHDRAWAL for Banking Partners to the total water pumped by Semitropic
4. Estimated energy use for other facilities as may be required by Semitropic

TOTAL ENERGY COSTS (Costs to secure energy required for all Semitropic activities)

5. Costs to feed energy into the Semitropic Grid
 - a) PG&E billing at Semitropic Substation (single point of service with Semitropic power grid)
 - b) All costs for other electrical feeds into Semitropic Grid (i.e. external cogeneration facilities)
 - c) All costs for power generated by Semitropic's Energy Project including:
(currently 4 MW of natural gas engine generation and 850 KW of hydroelectric generation)
Fuel
Operation & Maintenance
Replacement Reserve deposits
Debt Service
6. Costs for energy not fed into Semitropic Grid
 - a) All PG&E billings for Semitropic facilities not on Semitropic Grid
 - b) Engine/generator rental and diesel to operate temporary Semitropic facilities
 - c) All payments to Semitropic landowners under ground water pumping agreements for operation of Semitropic landowner wells
 - d) All payments to Contract Water Users for release of Contract Water (on-farm ground water pumping) for energy use identified in 1.d) above
 - e) Costs of other facilities as may be required by Semitropic

TOTAL ENERGY CONSUMED (Energy required for all Semitropic activities)

7. Energy fed into the Semitropic Grid
 - a) PG&E meter readings at Semitropic Substation (single point of service with Semitropic power grid)
 - b) Any other electrical service metered into Semitropic Grid (i.e. external cogeneration facilities)
 - c) Energy metered at each Semitropic operated natural gas engine-generator
 - d) Energy metered at each Semitropic operated hydroelectric generator
8. Energy not fed into the Semitropic Grid
 - a) All PG&E meter readings for Semitropic facilities not on Semitropic Grid
 - b) Actual PG&E meter readings from bills submitted for payment under pumping agreements for operation of Semitropic landowner wells
 - c) Energy use under pumping agreements with Semitropic landowners for operation of wells where the actual KWH is unavailable (as in engine driven wells) use the formula:
KWH = 1.707 x (PUMPING LIFT in feet) x (ACRE-FEET EXTRACTED)
Where 1.707 is the conversion factor assuming 60% wire to water efficiency
Where the PUMPING LIFT is determined from the previous year's "Lines of Equal Pumping Lifts" by Bookman-Edmonston Engineering, Inc.
Where the ACRE-FEET EXTRACTED is from actual Semitropic water meter readings
 - d) Estimated use for released Contract Water (on-farm ground water pumping) use the same formula as above
 - e) Estimated energy use for other facilities as may be required by Semitropic

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: August 8, 2023 **August 14, 2023**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Dennis Hoffmeyer, Finance Manager/CFO
 Mr. Bob Egan, Financial Advisor
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: *AGENDA ITEM NO. 7.1 – CONSIDERATION AND POSSIBLE ACTION ON SETTING PALMDALE WATER DISTRICT’S ASSESSMENT RATES FOR FISCAL YEAR 2023-2024 AND ADOPTION OF RESOLUTION NO. 23-8 BEING A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT ESTABLISHING ASSESSMENT RATES FOR FISCAL YEAR 2023-2024. (FINANCE MANAGER HOFFMEYER/FINANCIAL ADVISOR EGAN)*

Recommendation:

Staff recommends that the Board approve Resolution No. 23-8 Establishing Assessment Rates for Fiscal Year 2023-2024.

Alternative Options:

There are no alternative options.

Impact of Taking No Action:

The District’s annual assessment rates would not be established for Fiscal Year 2023-2024.

Background:

The Palmdale Water District’s assessments are levied to cover the District’s share of costs associated with the State Water Project.

The County of Los Angeles Department of Auditor-Controller has submitted the necessary information to the District for determining the District’s 2023-2024 assessed valuation and tax rate. This information has been reviewed, and an annual tax assessment rate of 0.259304 for the 2023-2024 fiscal year is proposed. The District’s tax assessment rates must be received by the County of Los Angeles Department of Auditor-Controller by August 21, 2023.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 4 – Financial Health and Stability.
This item directly relates to the District’s Mission Statement.

Supporting Documents:

- Resolution No. 23-8 and County form CR52 Report A input form
- 2023-2024 assessment calculations
- Palmdale Water District Voted Indebtedness Rate History dated August 8, 2023
- August 7, 2023 letter from County of Los Angeles Department of Auditor-Controller regarding 2023-2024 Assessed Valuation and Tax Rate Input Forms

RESOLUTION NO. 23-8
A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE
WATER DISTRICT ESTABLISHING ASSESSMENT RATES FOR
FISCAL YEAR 2023-2024

WHEREAS, the Los Angeles County Auditor-Controller has submitted to the Palmdale Water District the assessed value information necessary to enable the District to establish its assessment rates; and

WHEREAS, the Board of Directors has reviewed the assessed value information and has calculated the amounts needed to be raised to meet the State Water Contract; and

WHEREAS, the Board of Directors has determined the assessment rate required to raise the required funds.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Palmdale Water District hereby establishes the following secured tax rates for 2023-2024:

<u>ACCOUNT #</u>	<u>AGENCY NAME</u>	<u>TAX RATE</u>
308.60	Palmdale Water District	0.000000
308.61	Palmdale Water District Zone B	0.259304
308.62	Palmdale Water District Zone B2	0.259304
308.63	Palmdale Water District Zone C	0.259304
308.65	Palmdale Water District Zone E	0.259304
308.66	Palmdale Water District Zone A	0.259304
308.67	Palmdale Water-Westmont Imp. Dist.	0.000000

FURTHER RESOLVED, that the Board of Supervisors of the County of Los Angeles, State of California, is hereby authorized and directed, at the time and in the manner directed by law, in addition to any and all other taxes and assessments levied against the lands within the Palmdale Water District, to levy and collect assessments against all of the lands within said District and the aforesaid improvement District at the rates set forth above.

PASSED AND ADOPTED at a regular meeting of the Board of Directors held on August 14, 2023, by the following roll call vote:

AYE:

NO:

ABSENT:

I hereby certify under penalty of perjury that the tax rates levied herein are exempt from the application of Article XIII A, Section 1(A) of the Constitution of the State of California.

DATED: August 14, 2023

Don Wilson, President, Board of Directors

ATTEST:

Vincent Dino, Secretary, Board of Directors

APPROVED AS TO FORM:

Pamela Lee, General Counsel, Aleshire & Wynder LLP

**COUNTY OF LOS ANGELES
AUDITOR-CONTROLLER,
PROPERTY TAX APPORTIONMENT DIVISION**

2023 - 24 SECURED TAX RATES

ACCT #	AGENCY NAME	TAX RATE
308.60	PALMDALE WATER DIST	<u>0.000000</u>
308.61	PALMDALE WATER DIST ZONE B	<u>0.259304</u>
308.62	PALMDALE WATER DIST ZONE B2	<u>0.259304</u>
308.63	PALMDALE WATER DIST ZONE C	<u>0.259304</u>
308.65	PALMDALE WATER DIST ZONE E	<u>0.259304</u>
308.66	PALMDALE WATER DIST ZONE A	<u>0.259304</u>
308.67	PALMDALE WATER-WESTMONT IMP DIST	<u>0.000000</u>

I, Kathy Mac Laren-Gomez , ~~AM A MEMBER OF THE CITY COUNCIL~~, A MEMBER OF THE GOVERNING BOARD, ~~THE CHIEF EXECUTIVE OR THE CHIEF FINANCIAL OFFICER~~ FOR THIS AGENCY AND I HEREBY CERTIFY THAT THE TAX RATES LEVIED HEREIN ARE IN ACCORDANCE WITH THE PROVISIONS OF THE ARTICLE XIII SECTION 1(b) OF THE CONSTITUTION OF THE STATE OF CALIFORNIA.

AUTHORIZED SIGNATURE Treasurer, Board of Directors August 14, 2023

TITLE DATE

**PALMDALE WATER DISTRICT
ASSESSMENTS
For 2023/2024**

FROM JULY 1, 2023 DWR:

	Invoice	Amount
2023/2024 Assessments	24-018-T	5,473,655
	24-017-O	36,182
	24-006-E	9,106
	24-009-TAB	40,637
	24-018-U	-
		5,559,580
REVISION(BASED ON PRIOR YEAR ASSESSMENT CALCULATION)		(6,552)
DWR REFUNDS:		
07/01/22 - 12/31/22		(135,260)
01/01/23 - 06/30/23		(240,314)
	Total Refunds	(382,126)
	CRA recovery	(509,832)
Butte Payments - \$1,065,043.03 (12/30/2022) and \$940,833.66 (6/30/2023)		2,005,877
	TOTAL ASSESSMENT	6,673,499

PRIOR YEAR CALCULATIONS

		07/01/2022	06/05/2023	
<u>FROM JULY 1, 2022 DWR:</u>	<u>FOR 2023</u>	<u>ORIGINAL</u>	<u>REVISED</u>	<u>DIFFERENCE</u>
23-018-T		4,519,025	4,519,025	-
23-017-O		31,417	24,865	(6,552)
23-006-E		8,514	8,514	-
23-009-TAB		40,415	40,415	-
23-018-U		-	-	-
		4,599,371	4,592,819	(6,552)

ASSESSED VALUATION (LAND)

		2023/2024	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
AREA	DESCRIPTION	ASSESSED VALUE	ASSESSED VALUE	ASSESSED VALUE	ASSESSED VALUE	ASSESSED VALUE	ASSESSED VALUE	ASSESSED VALUE
A 308.66	Zone A	895,944,319	823,358,869	739,743,068	695,436,839	647,391,758	604,120,879	566,889,644
B 308.61	Zone B	75,775,398	72,491,579	61,625,583	59,207,842	57,304,932	54,411,363	51,766,029
B-2 308.62	Zone B2	1,665,162	1,632,244	1,410,937	1,398,685	1,382,372	1,345,944	1,337,670
C 308.63	Zone C	14,617,278	12,827,402	12,247,916	11,571,096	10,907,739	10,198,079	9,381,402
E 308.65	Zone E	1,749,896,103	1,621,641,999	1,453,515,154	1,384,319,306	1,312,155,546	1,247,001,218	1,180,915,493
		2,737,898,260	2,531,952,093	2,268,542,658	2,151,933,768	2,029,142,347	1,917,077,483	1,810,290,238
	Assessment requested	6,673,499	5,489,398	5,633,476	3,980,072	4,161,370	4,028,728	4,524,850
TOTAL ASSESSED VALUE OF DISTRICT		2,737,898,260	2,531,952,093	2,268,542,658	2,151,933,768	2,029,142,347	1,917,077,483	1,810,290,238
PALMDALE REDEV AGENCY(EST)		-	-	-	-	-	-	-
NET ASSESSED VALUE		2,737,898,260	2,531,952,093	2,268,542,658	2,151,933,768	2,029,142,347	1,917,077,483	1,810,290,238
	One Percent	27,378,983	25,319,521	22,685,427	21,519,338	20,291,423	19,170,775	18,102,902

ASSESSMENT ON ADJUSTMENTS

2023/2024	6,673,499 / 27,378,983 * .94	0.259304
2022/2023	5,489,398 / 25,319,521 * .94	0.230644
2021/2022	5,633,476 / 22,685,427 * .94	0.264181
2020/2021	3,980,072 / 21,519,338 * .94	0.196759
2019/2020	4,161,370 / 20,291,423 * .94	0.218170
2018/2019	4,028,728 / 19,170,775 * .94	0.223563
2017/2018	4,524,850 / 18,102,902 * .94	0.265906



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

August 8, 2023

BOARD OF DIRECTORS

W. SCOTT KELLERMAN
Division 1

DON WILSON
Division 2

GLORIA DIZMANG
Division 3

KATHY MAC LAREN-GOMEZ
Division 4

VINCENT DINO
Division 5

DENNIS D. LaMOREAUX
General Manager

ALESHIRE & WYNDER LLP
Attorneys



**Palmdale Water District
Voted Indebtedness Rate History**

Tax Year	Assessment Rate (\$/\$100 Land Value)
1991 – 1992	0.199614
1992 – 1993	0.154190
1993 – 1994	0.178991
1994 – 1995	0.184907
1995 – 1996	0.194441
1996 – 1997	0.274384
1997 – 1998	0.213657
1998 – 1999	0.200543
1999 – 2000	0.282007
2000 – 2001	0.296912
2001 – 2002	0.254909
2002 – 2003	0.375114
2003 – 2004	0.091329
2004 – 2005	0.163885
2005 – 2006	0.152281
2006 – 2007	0.119654
2007 – 2008	0.125445
2008 – 2009	0.125932
2009 – 2010	0.317372
2010 – 2011	0.313562
2011 – 2012	0.291664
2012 – 2013	0.333614
2013 – 2014	0.328978
2014 – 2015	0.345856
2015 – 2016	0.299219
2016 – 2017	0.277262
2017 – 2018	0.265906
2018 – 2019	0.223563
2019 – 2020	0.218170
2020 – 2021	0.196759
2021 – 2022	0.264181
2022 – 2023	0.230644
2023 – 2024	0.259304



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

**PROPERTY TAX APPORTIONMENT DIVISION
KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 484
LOS ANGELES, CALIFORNIA 90012-3554**

OSCAR VALDEZ
AUDITOR-CONTROLLER

ASSISTANT AUDITOR-CONTROLLERS

**MAJIDA ADNAN
ROBERT G. CAMPBELL
CONNIE YEE**

August 7, 2023

All Taxing Agencies
County of Los Angeles

Attention: Treasurer or Finance Director

FISCAL YEAR (FY) 2023-24 ASSESSED VALUATION AND TAX RATE INPUT FORMS

Enclosed are the FY 2023-24 assessed valuation statements for your taxing agency and our standard CR52 Report A input form for this fiscal year. To assist you in establishing your tax rates, also included is an information sheet indicating the FY 2022-2023 unitary and pipeline revenue paid to your agency. This represents your agency's proportionate share of the tax revenue generated from the FY 2022-2023 countywide unitary values assessed by the State and pipeline values assessed by the County.

The CR52 Report A input form along with a copy of your resolution must be completed and returned by August 21, 2023. The tax rates must be extended to six decimal places (e.g., 123456). Please enter zeros (e.g., 000000), if your agency does not levy a tax rate. **If your agency levies a tax rate, it must be in accordance with the provisions of Article XIII A, Section 1(b) of the Constitution of the State of California.** This law requires that a debt service rate only be applied to the voters if it is approved prior to July 1, 1978 and any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

Please email the completed electronic form in PDF format and a scanned copy of the signed resolution to Merle Guazon at MGuazon@auditor.lacounty.gov. Then, submit the original signed form and a copy of the signed resolution to:

County of Los Angeles
Department of Auditor-Controller
Property Tax Apportionment Division
500 West Temple Street, Room 484
Los Angeles, CA 90012-3554
Attention: Daniel Rodriguez

Please make sure the input form is completely filled out and signed to ensure inclusion of your tax rate(s) on the tax bills.

If you have any questions or require additional assistance, please contact Daniel Rodriguez at DRodriguez@auditor.lacounty.gov or Ellaine Mallari at EMallari@auditor.lacounty.gov.

Very truly yours,

A handwritten signature in blue ink that reads "Linda Santillano". The signature is written in a cursive style.

Linda Santillano
Division Chief

LS:DR:em

H:\Create Tax Roll - Annual\NEW - FY PROCESS\FY 2023-2024\CR Process\Debt Service Rate Letter FY 2023-24.docx

Attachments

**COUNTY OF LOS ANGELES
AUDITOR - CONTROLLER/TAX DIVISION**

SV13 7/25/2023

ASSESSED VALUATIONS AUGUST 2023

0869

TAXING AGENCY 308.60 PALMDALE WATER DIST			
SECURED VALUATIONS			
LOCALLY ASSESSED			
LAND	2,737,898,260		
IMPROVEMENTS	6,218,528,708	SECURED HOMEOWNER EXEMPTION ⁴	68,721,225
PERSONAL PROPERTY	30,934,450		
LESS: EXEMPTIONS ¹	213,822,330		
TOTAL - LOCALLY ASSESSED	8,773,539,088		
PUBLIC UTILITY (ST. BOARD OF EQUAL)			
LAND	684,600		
IMPROVEMENTS			
PERSONAL PROPERTY			
TOTAL - PUBLIC UTILITY	684,600		
TOTAL - SECURED VALUATIONS	8,774,223,688		
UNSECURED VALUATIONS²			
LAND			
IMPROVEMENTS	44,776,213	UNSECURED HOMEOWNER EXEMPTION ⁵	
PERSONAL PROPERTY	73,279,571		
LESS: EXEMPTIONS ¹	113,460		
TOTAL - UNSECURED VALUATIONS	117,942,324		
GRAND TOTAL	8,892,166,012	TOTAL HOMEOWNER EXEMPTION	68,721,225
AIRCRAFT ³			
¹ Exclusive of Homeowner Exemption. ² Tax levied at last year's secured rate. ³ Taxed at full rate distributed according to 5451 to 5456 of the Revenue Taxation Code. ⁴ Do not add to exemptions for rate setting purposes. ⁵ Subtract from Total-Unsecured Valuations for determination of Unsecured Tax Revenue.		The above information was compiled from the official records of the County of Los Angeles AUDITOR - CONTROLLER By Linda Santillano Chief, Tax Apportionment Division	

**COUNTY OF LOS ANGELES
AUDITOR - CONTROLLER/TAX DIVISION**

SV13 7/25/2023

ASSESSSED VALUATIONS AUGUST 2023

0870

TAXING AGENCY 308.61 PALMDALE WATER DIST ZONE B			
SECURED VALUATIONS			
LOCALLY ASSESSED			
LAND	75,775,398	SECURED HOMEOWNER EXEMPTION ⁴	1,041,600
IMPROVEMENTS	138,999,191		
PERSONAL PROPERTY	33,427		
LESS: EXEMPTIONS ¹			
TOTAL - LOCALLY ASSESSED	214,808,016		
PUBLIC UTILITY (ST. BOARD OF EQUAL)			
LAND			
IMPROVEMENTS			
PERSONAL PROPERTY			
TOTAL - PUBLIC UTILITY			
TOTAL - SECURED VALUATIONS	214,808,016		
UNSECURED VALUATIONS²			
LAND		UNSECURED HOMEOWNER EXEMPTION ⁵	
IMPROVEMENTS			
PERSONAL PROPERTY	174,038		
LESS: EXEMPTIONS ¹			
TOTAL - UNSECURED VALUATIONS	174,038		
GRAND TOTAL	214,982,054	TOTAL HOMEOWNER EXEMPTION	1,041,600
AIRCRAFT ³			

<p>¹ Exclusive of Homeowner Exemption.</p> <p>² Tax levied at last year's secured rate.</p> <p>³ Taxed at full rate distributed according to 5451 to 5456 of the Revenue Taxation Code.</p> <p>⁴ Do not add to exemptions for rate setting purposes.</p> <p>⁵ Subtract from Total-Unsecured Valuations for determination of Unsecured Tax Revenue.</p>	<p>The above information was compiled from the official records of the County of Los Angeles</p> <p style="text-align: center;">AUDITOR - CONTROLLER</p> <p>By Linda Santillano Chief, Tax Apportionment Division</p>
---	---

**COUNTY OF LOS ANGELES
AUDITOR - CONTROLLER/TAX DIVISION**

SV13 7/25/2023

ASSESSED VALUATIONS AUGUST 2023

0871

TAXING AGENCY 308.62 PALMDALE WATER DIST ZONE B2			
SECURED VALUATIONS			
LOCALLY ASSESSED			
LAND	1,665,162		
IMPROVEMENTS	3,834,182	SECURED HOMEOWNER EXEMPTION ⁴	21,000
PERSONAL PROPERTY			
LESS: EXEMPTIONS ¹			
TOTAL - LOCALLY ASSESSED	5,499,344		
PUBLIC UTILITY (ST. BOARD OF EQUAL)			
LAND			
IMPROVEMENTS			
PERSONAL PROPERTY			
TOTAL - PUBLIC UTILITY			
TOTAL - SECURED VALUATIONS	5,499,344		
UNSECURED VALUATIONS²			
LAND			
IMPROVEMENTS		UNSECURED HOMEOWNER EXEMPTION ⁵	
PERSONAL PROPERTY			
LESS: EXEMPTIONS ¹			
TOTAL - UNSECURED VALUATIONS			
GRAND TOTAL	5,499,344	TOTAL HOMEOWNER EXEMPTION	21,000
AIRCRAFT ³			
¹ Exclusive of Homeowner Exemption. ² Tax levied at last year's secured rate. ³ Taxed at full rate distributed according to 5451 to 5456 of the Revenue Taxation Code. ⁴ Do not add to exemptions for rate setting purposes. ⁵ Subtract from Total-Unsecured Valuations for determination of Unsecured Tax Revenue.		<p>The above information was compiled from the official records of the County of Los Angeles</p> <p align="center">AUDITOR - CONTROLLER</p> <p>By Linda Santillano Chief, Tax Apportionment Division</p>	

**COUNTY OF LOS ANGELES
AUDITOR - CONTROLLER/TAX DIVISION**

SV13 7/25/2023

ASSESSSED VALUATIONS AUGUST 2023

0872

TAXING AGENCY 308.63 PALMDALE WATER DIST ZONE C			
SECURED VALUATIONS			
LOCALLY ASSESSED			
LAND	14,617,278		
IMPROVEMENTS	30,890,086	SECURED HOMEOWNER EXEMPTION ⁴	273,000
PERSONAL PROPERTY			
LESS: EXEMPTIONS ¹			
TOTAL - LOCALLY ASSESSED			
45,507,364			
PUBLIC UTILITY (ST. BOARD OF EQUAL)			
LAND			
IMPROVEMENTS			
PERSONAL PROPERTY			
TOTAL - PUBLIC UTILITY			
45,507,364			
TOTAL - SECURED VALUATIONS			
45,507,364			
UNSECURED VALUATIONS²			
LAND			
IMPROVEMENTS	29,074		
PERSONAL PROPERTY	242,640		
LESS: EXEMPTIONS ¹			
TOTAL - UNSECURED VALUATIONS			
271,714			
GRAND TOTAL			
45,779,078			
AIRCRAFT ³			
		TOTAL HOMEOWNER EXEMPTION	273,000
¹ Exclusive of Homeowner Exemption. ² Tax levied at last year's secured rate. ³ Taxed at full rate distributed according to 5451 to 5456 of the Revenue Taxation Code. ⁴ Do not add to exemptions for rate setting purposes. ⁵ Subtract from Total-Unsecured Valuations for determination of Unsecured Tax Revenue.		<p>The above information was compiled from the official records of the County of Los Angeles</p> <p style="text-align: center;">AUDITOR - CONTROLLER</p> <p>By Linda Santillano Chief, Tax Apportionment Division</p>	

**COUNTY OF LOS ANGELES
AUDITOR - CONTROLLER/TAX DIVISION**

SV13 7/25/2023

ASSESSED VALUATIONS AUGUST 2023

0873

TAXING AGENCY 308.65 PALMDALE WATER DIST ZONE E			
SECURED VALUATIONS			
LOCALLY ASSESSED			
LAND	1,749,896,103	SECURED	
IMPROVEMENTS	4,118,636,148	HOMEOWNER EXEMPTION ⁴	46,422,600
PERSONAL PROPERTY	1,156,277		
LESS: EXEMPTIONS ¹	48,117,301		
TOTAL - LOCALLY ASSESSED	5,821,571,227		
PUBLIC UTILITY (ST. BOARD OF EQUAL)			
LAND	627,600		
IMPROVEMENTS			
PERSONAL PROPERTY			
TOTAL - PUBLIC UTILITY	627,600		
TOTAL - SECURED VALUATIONS	5,822,198,827		
UNSECURED VALUATIONS²			
LAND		UNSECURED	
IMPROVEMENTS	20,473,936	HOMEOWNER EXEMPTION ⁵	
PERSONAL PROPERTY	29,770,930		
LESS: EXEMPTIONS ¹			
TOTAL - UNSECURED VALUATIONS	50,244,866		
GRAND TOTAL	5,872,443,693	TOTAL	46,422,600
AIRCRAFT ³		HOMEOWNER EXEMPTION	
¹ Exclusive of Homeowner Exemption. ² Tax levied at last year's secured rate. ³ Taxed at full rate distributed according to 5451 to 5456 of the Revenue Taxation Code. ⁴ Do not add to exemptions for rate setting purposes. ⁵ Subtract from Total-Unsecured Valuations for determination of Unsecured Tax Revenue.		<p>The above information was compiled from the official records of the County of Los Angeles</p> <p style="text-align: center;">AUDITOR - CONTROLLER</p> <p>By Linda Santillano Chief, Tax Apportionment Division</p>	

**COUNTY OF LOS ANGELES
AUDITOR - CONTROLLER/TAX DIVISION**

SV13 7/25/2023

ASSESSED VALUATIONS AUGUST 2023

0874

TAXING AGENCY 308.66 PALMDALE WATER DIST ZONE A			
SECURED VALUATIONS			
LOCALLY ASSESSED			
LAND	895,944,319	SECURED	
IMPROVEMENTS	1,926,169,101	HOMEOWNER EXEMPTION ⁴	20,963,025
PERSONAL PROPERTY	29,744,746		
LESS: EXEMPTIONS ¹	165,705,029		
TOTAL - LOCALLY ASSESSED	2,686,153,137		
PUBLIC UTILITY (ST. BOARD OF EQUAL)			
LAND	57,000		
IMPROVEMENTS			
PERSONAL PROPERTY			
TOTAL - PUBLIC UTILITY	57,000		
TOTAL - SECURED VALUATIONS	2,686,210,137		
UNSECURED VALUATIONS²			
LAND		UNSECURED	
IMPROVEMENTS	24,273,203	HOMEOWNER EXEMPTION ⁵	
PERSONAL PROPERTY	43,091,963		
LESS: EXEMPTIONS ¹	113,460		
TOTAL - UNSECURED VALUATIONS	67,251,706		
GRAND TOTAL	2,753,461,843	TOTAL	20,963,025
AIRCRAFT ³		HOMEOWNER EXEMPTION	
¹ Exclusive of Homeowner Exemption. ² Tax levied at last year's secured rate. ³ Taxed at full rate distributed according to 5451 to 5456 of the Revenue Taxation Code. ⁴ Do not add to exemptions for rate setting purposes. ⁵ Subtract from Total-Unsecured Valuations for determination of Unsecured Tax Revenue.		<p>The above information was compiled from the official records of the County of Los Angeles</p> <p style="text-align: center;">AUDITOR - CONTROLLER</p> <p>By Linda Santillano Chief, Tax Apportionment Division</p>	

**COUNTY OF LOS ANGELES
AUDITOR - CONTROLLER/TAX DIVISION**

SV13 7/25/2023

ASSESSED VALUATIONS AUGUST 2023

0875

TAXING AGENCY 308.67 PALMDALE WATER-WESTMONT IMP DIST			
SECURED VALUATIONS			
LOCALLY ASSESSED			
LAND	190,470,277		
IMPROVEMENTS	442,860,541	SECURED HOMEOWNER EXEMPTION ⁴	5,306,000
PERSONAL PROPERTY			
LESS: EXEMPTIONS ¹	1,530,291		
TOTAL - LOCALLY ASSESSED	631,800,527		
PUBLIC UTILITY (ST. BOARD OF EQUAL)			
LAND	476,600		
IMPROVEMENTS			
PERSONAL PROPERTY			
TOTAL - PUBLIC UTILITY	476,600		
TOTAL - SECURED VALUATIONS	632,277,127		
UNSECURED VALUATIONS²			
LAND			
IMPROVEMENTS	333,248	UNSECURED HOMEOWNER EXEMPTION ⁵	
PERSONAL PROPERTY	996,854		
LESS: EXEMPTIONS ¹			
TOTAL - UNSECURED VALUATIONS	1,330,102		
GRAND TOTAL	633,607,229	TOTAL HOMEOWNER EXEMPTION	5,306,000
AIRCRAFT ³			

<p>¹ Exclusive of Homeowner Exemption.</p> <p>² Tax levied at last year's secured rate.</p> <p>³ Taxed at full rate distributed according to 5451 to 5456 of the Revenue Taxation Code.</p> <p>⁴ Do not add to exemptions for rate setting purposes.</p> <p>⁵ Subtract from Total-Unsecured Valuations for determination of Unsecured Tax Revenue.</p>	<p>The above information was compiled from the official records of the County of Los Angeles</p> <p align="center">AUDITOR - CONTROLLER</p> <p>By Linda Santillano Chief, Tax Apportionment Division</p>
---	--

**COUNTY OF LOS ANGELES
AUDITOR-CONTROLLER
PROPERTY TAX APPORTIONMENT DIVISION**

2022-2023 UNITARY REVENUE

LISTED BELOW IS THE AMOUNT OF THE COUNTYWIDE UNITARY REVENUE CREDITED AND PAID TO YOUR AGENCY FOR 2022-2023. THIS REPRESENTS YOUR AGENCY'S SHARE OF THE REVENUE GENERATED FROM THE COUNTYWIDE UNITARY (STATE ASSESSED) AND PIPELINE (COUNTY ASSESSED) VALUE OF \$23,971,145,943 REPORTED IN 2022-2023.

FOR YOUR INFORMATION, THE 2023-2024 COMBINED COUNTYWIDE UNITARY AND PIPELINE VALUE IS \$25,839,956,629.

ACCOUNT NO	AGENCY NAME	1% REVENUE	D/S REVENUE
308.60	PALMDALE WATER DIST	0.00	25,108.82
308.61	PALMDALE WATER DIST ZONE B	1,382.96	0.00
308.62	PALMDALE WATER DIST ZONE B2	40.14	0.00
308.63	PALMDALE WATER DIST ZONE C	372.51	0.00
308.65	PALMDALE WATER DIST ZONE E	21,616.26	0.00
308.66	PALMDALE WATER DIST ZONE A	14,421.28	0.00
308.67	PALMDALE WATER-WESTMONT IMP	3,070.62	0.00

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: August 7, 2023 **August 14, 2023**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.2 – CONSIDERATION AND POSSIBLE ACTION TO CAST BALLOT FOR ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) PRESIDENT AND VICE PRESIDENT ELECTION FOR 2024-2025 TERM. (NO BUDGET IMPACT – GENERAL MANAGER LaMOREAUX)***

The ACWA President and Vice President election ballot and candidate statements for the 2024-2025 Term are attached for consideration.

The District’s authorized voting representative, Director Gloria Dizmang, is asked to vote for one candidate for President and one candidate for Vice President, by September 15, 2023. Write in candidates must be an elected or appointed director of an ACWA member agency and must include a nominating/supporting resolution from their member agency’s board.

Supporting Documents:

- ACWA President and Vice President Voting Ballot
- Candidate Statements

July 17, 2023

Mail-in Ballot Information for Election of ACWA President, Vice President

Dear ACWA Member:

As the authorized voting representative for your agency, please find the following items enclosed for the election of ACWA's President and Vice President for the 2024-'25 term:

1. Ballot for your agency's use in casting its confidential vote by mail
2. Ballot envelope
3. Mailing envelope

The ballot includes each candidate's photo and abbreviated statement for the positions of ACWA President and Vice President. Please vote for one candidate for President and one candidate for Vice President. You may choose to write in the name of an eligible qualified candidate as provided in Section 9.11 of ACWA's Bylaws. Write-in candidates must be an elected or appointed director of an ACWA member agency and must submit a nominating/support resolution from their member agency's board to donnap@acwa.com no later than September 15. Additional candidate information and the ACWA Bylaws can be found at www.acwa.com/elections.

Please complete the following items by on September 15:

1. Mark the ballot with your votes for President and Vice President. Do not indicate your identity on the ballot.
2. Place the ballot in the ballot envelope. Do not indicate your identity on the ballot envelope. Seal the ballot envelope.
3. Place the sealed ballot envelope in the mailing envelope. Sign your name beneath your printed name on the mailing envelope. The mailing envelope is the only place where you indicate your identity.
4. Seal the mailing envelope and ensure it is postmarked no later than September 15, 2023.

Ballots must be returned using the pre-addressed envelope and postmarked no later than Friday, September 15. Only ballots received within five days of the postmark deadline (i.e., September 20) will be counted.



Ballot Counting

All ballots received by mail will remain sealed until opened in the presence of the Election Committee Chair or his/her designee. All electronic ballots will be tabulated and kept confidential under the oversight of the Election Committee Chair or his/her designee. Following the designated election deadline, the first-class ballot and electronic ballot results will be totaled in the presence of the Election Committee Chair or his/her designee.

Election of a candidate to the position of President or Vice President requires that at least 50 ballots have been received by the deadline to establish the required quorum and the candidate receives a majority of the votes cast.

Questions

Please contact ACWA Senior Clerk of the Board Donna Pangborn at 916-669-2425 or donna@acwa.com with any questions.

PAPER BALLOT VOTING

To Vote:

1. Use a black ball point pen to mark the ballot.
2. Completely fill in the oval(s) next to your choice(s) like this: ●
3. To vote for a person not on the ballot for an office, write the name on the "Write-In" line and mark the oval to the left of that name. Write-in candidates must be an elected or appointed director of an ACWA member agency and must submit a nominating/support resolution from their member agency's board no later than Sept. 15.

ACWA PRESIDENT (Vote for only one)
<input type="radio"/> Cathy Green (<i>Election Committee's preferred candidate</i>)
<input type="radio"/> _____ Write-In

ACWA VICE PRESIDENT (Vote for only one)
<input type="radio"/> Ernesto "Ernie" A. Avila (<i>Election Committee's preferred candidate</i>)
<input type="radio"/> Michael Saunders
<input type="radio"/> _____ Write-In

Voted paper ballots must be postmarked by September 15.

CANDIDATE STATEMENTS

PRESIDENT

Cathy Green



As ACWA's Vice President since 2022, I have and will continue to diligently listen to and work on behalf of all ACWA members. My vision for ACWA is to fully embrace its motto of Bringing Water Together. I believe that we can accomplish this by unifying ACWA members and collaborating with stakeholders to find effective solutions to the challenges we face.

As your ACWA President, I will continue to advance the momentum I have built on key initiatives including: 1) advocating for state accountability on water infrastructure investments and policy issues, 2) spearheading the ACWA Council of Past Presidents to mentor new members so that they are aware of membership benefits, and 3) furthering ACWA's economical, efficient, and

effective member services through sound fiscal, HR, managerial, and administrative practices.

I will also work on three new initiatives including: 1) re-examining ACWA dues to provide equity for all members, 2) strengthening the Association's ability to attract, develop, and retain top industry talent, and 3) increasing non-dues revenues.

I ask for your vote so that I may continue working to ensure ACWA offers value for all members. My experience, qualifications, decade long ACWA membership, and role as ACWA Vice President have provided me a unique understanding of ACWA as the nation's largest statewide coalition of public water agencies. Please contact me any time at 714.321.0522 or CGreen@OCWD.com.

ACWA Board Member and Committees

- ACWA Vice President (2022-current)
- Executive Committee (2020-current)
- Region 10 Chair (2018-2019)
- Region 10 Vice Chair (2016-2017, 2020-2021)
- Region 10 Board Member (2012-2021)
- Water Quality Committee (2012-current)
- Energy Committee (2019-current)
- State Legislative Committee (2012-2015)

Orange County Water District

- President (2015-2016, 2022-current)
- 1st Vice President (2013, 2014, 2019-2022)
- Director (2010-current)
- Joint Planning Committee Chair
- Labor Ad Hoc Committee Chair

Civic, Professional Experience

- Huntington Beach Mayor (2003, 2009)
- Council Member (2002-2010)
- Registered Nurse
- Law degree

CANDIDATE STATEMENTS

VICE PRESIDENT

Ernesto "Ernie" A. Avila



I want to be the next Vice-President of the Association of California Water Agencies (ACWA) because I want ACWA to continue to be the nexus of knowledge and leadership in water for California. We are emerging from a multi-year drought, and I will put my energy into strategies to keep water in the public eye with ACWA as the trusted sources for information and innovation. A priority for me is to ensure that ACWA continues to equip member agencies with information and resources necessary to support their water supply reliability efforts, implement infrastructure and watershed improvements, and address the challenges associated with climate change.

I have 40 years of experience with California water as a Civil Engineer, General Manager, Executive Director of three water coalitions involving over 50 water agencies, and I currently serve as CCWD Board President. I have led or supported over \$5 Billion in California water infrastructure serving over 5 million citizens and many industries today.

I have supported ACWA for 20 years including serving on the Board of Directors, the Executive Committee, the Region 5 Board, the Federal Affairs Committee, the ACWA Foundation Steering Committee and Chair of the Local Government Committee.

This year, we have gone from extreme drought conditions to concerns about flooding in months. ACWA has been leading the discussions for water supply reliability, investments in infrastructure, including above- and below-ground storage, and it is now crucial to progress beyond conversations to action. I want to work with all ACWA members to find strategies to advance projects and I will work with ACWA members to keep our seat at the table to affirm the state's commitment to help fund and facilitate these critical investments.

I would be honored to represent our members as the next Vice-President of ACWA.
Learn more at: ccwater.com/AvilaForACWAVP

Michael Saunders



I have been working with water issues as an elected; with MSRs as a County LAFCO commissioner; through my work with the CABY Integrated Regional Water Management Group; my work in the water use efficiency workgroups with the Department of Water Resources; and as an Executive Board member of the Regional Water Authority. I have been active in ACWA since I became an elected official in 2018, each year increasing my level of participation and leadership, from conferences to workgroups to symposiums. I was a member of the Diversity, Equity, and Inclusion Workgroup which helped form the new ACWA Foundation. I am currently a member of the Headwaters Workgroup, Water Use Efficiency Workgroup, State Infrastructure Workgroup, and the Membership Committee. I also participate in the State Legislative Committee. I am on

the ACWA Region 3 Board and have worked on a regional forum and event and on our regional issues dealing with guidelines and legislation.

The qualities I can bring to the office is my understanding of the water issues from our Region and the State along with my working relationship with our Board members, Regional members, ACWA members, ACWA staff, elected officials, and District Staff. Coming from a small agency, the input from our members is vital and important to bring each Agency's issues, strategies, and suggestions to the table and make every agency feel valued. I will continue to be a strong legislative advocate, continue to build on our outreach, and rely and utilize the expertise and talents of our members and ACWA staff. I am enthusiastic and committed to the work of ACWA and hope to bring my excitement to our members and continue to push for the growth and success of ACWA.

I would be honored to have your vote.

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: August 7, 2023 **August 14, 2023**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.3 – CONSIDERATION AND POSSIBLE ACTION TO CAST BALLOT FOR ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) REGION 8 BOARD ELECTION FOR 2024-2025 TERM. (NO BUDGET IMPACT – GENERAL MANAGER LaMOREAUX)***

The ACWA Region 8 Board ballot for the 2024-2025 Term is attached for consideration. The ballot includes the Region 8 Nominating Committee’s recommended slate as well as individual candidates running for the Region 8 Board.

Region 8 Board members represent issues, concerns, and needs of our region. In addition, the Region 8 Chair and Vice Chair will serve on ACWA’s Board of Directors for the two-year term beginning January 1, 2024, the newly elected Chair and Vice Chair will make the Region 8 Committee appointment recommendations to the ACWA President for the 2024-2025 term, and the Chair or Vice Chair will sit on the ACWA Finance Committee.

The District representative, Director Gloria Dizmang, is asked to either vote for the recommended slate or cast its vote for individuals for Region 8 Chair, Vice Chair, and a maximum of five Board members. The ballot must be returned by September 15, 2023.

Supporting Documents:

- ACWA Region 8 Board Ballot

OFFICIAL REGION 8 Board Ballot

2024-2025 TERM



**Please return completed ballot
by Sept. 15, 2023**

E-mail: regionelections@acwa.com
Mail: ACWA
980 9th Street, Suite 1000
Sacramento, CA 95814

General Voting Instructions:

- 1 You may either vote for the slate recommended by the Region 8 Nominating Committee or vote for individual region board members. Mark the appropriate box to indicate your decision.
- 2 Complete your agency information. The authorized representative is determined by your agency in accordance with your agency's policies and procedures.

Submitted board candidate bios and headshots are available on www.acwa.com/elections/2023-region-elections/.

CLEAR FORM

1 Nominating Committee's Recommended Slate

- I concur with the Region 8 Nominating Committee's recommended slate below.

CHAIR:

- **Anthony R. Fellow, Ph. D**, Vice President, Upper San Gabriel Valley Municipal Water District

VICE CHAIR:

- **William Cooper**, Director, Santa Clarita Valley Water Agency

BOARD MEMBERS:

- **Frank Colcord**, Director, Foothill Municipal Water District
- **Robert Lewis**, Board of Director, Rowland Water District
- **John T. Morris**, Member, Board of Directors, Metropolitan Water District of Southern California
- **Leonard E. Polan**, Director, Las Virgenes Municipal Water District
- **Scott Quady**, Board Member, Calleguas Municipal Water District

OR

Individual Board Candidate Nominations

- I do not concur with the Region 8 Nominating Committee's recommended slate. I will vote for individual candidates below as indicated.

CANDIDATES FOR CHAIR: (CHOOSE ONE)

- Anthony R. Fellow**, Ph. D, Vice President, Upper San Gabriel Valley Municipal Water District

CANDIDATES FOR VICE CHAIR: (CHOOSE ONE)

- William Cooper**, Director, Santa Clarita Valley Water Agency

CANDIDATES FOR BOARD MEMBERS: (MAX OF 5 CHOICES)

- Frank Colcord**, Director, Foothill Municipal Water District
- William Cooper**, Director, Santa Clarita Valley Water Agency
- Robert Lewis**, Board of Director, Rowland Water District
- John T. Morris**, Member, Board of Directors, Metropolitan Water District of Southern California
- Leonard E. Polan**, Director, Las Virgenes Municipal Water District
- Scott Quady**, Board Member, Calleguas Municipal Water District

2

AGENCY NAME

AUTHORIZED REPRESENTATIVE

DATE

P A L M D A L E W A T E R D I S T R I C T
B O A R D M E M O R A N D U M

DATE: August 8, 2023

August 14, 2023

TO: BOARD OF DIRECTORS

Board Meeting

FROM: Mr. Scott Rogers, Engineering Manager

VIA: Mr. Dennis D. LaMoreaux, General Manager

RE: ***AGENDA ITEM NO. 7.4 – CONSIDERATION AND POSSIBLE ACTION ON AUTHORIZING STAFF TO ENTER INTO A CONTRACT WITH THE NATIONAL WATER RESEARCH INSTITUTE FOR INDEPENDENT ADVISORY SERVICES FOR THE CAPTURE6 BRINE DEMONSTRATION PROJECT. (\$76,108.00 – NOT – TO-EXCEED – BUDGETED – WORK ORDER NO. 23-419 – ENGINEERING MANAGER ROGERS)***

Recommendation:

Staff recommends that the Board authorize staff to enter into a contract with the National Water Research Institute (NWRI) from Fountain Valley, California, in the not-to-exceed amount of \$76,500.00 for independent advisory services for the Capture6 Brine Demonstration Project.

Alternative Options:

There are no alternative options.

Impact of Taking No Action:

The District would not receive regulatory approval and there may be a loss of public confidence in the Program.

Background:

On April 10, 2023, the Board approved a Memorandum of Understanding (MOU) with Capture6 to demonstrate their brine technology treatment. To avoid a possible conflict of interest between Stantec and Capture6, an independent review of the effectiveness of Capture6's Demonstration System for brine treatment was recommended. Since the District approved NWRI to provide an independent advisory panel for the Pure Water AV Project, staff contacted NWRI to assist with providing independent advisory services for the Capture6 Demonstration.

Founded in 1991 by water utilities and civic leaders, NWRI is a 501c3 nonprofit that collaborates with water utilities, regulators, and researchers in innovative ways to help develop new, healthy sources of drinking water. NWRI assembles teams of scientific, technical, and policy experts that provide credible independent peer reviews of water projects, develop recommendations that support investment in water infrastructure and public health, and enable water resource management decisions grounded in science and best practices. NWRI's approach is collaborative by design, customizing our processes and service offerings to meet the unique needs of our clients and the communities they serve. NWRI Panels support water reuse projects in various stages of development in California, the United States, and worldwide.

August 8, 2023

NWRI services include the following summary:

- Establish the Panel’s membership, leadership, and independence.
- Plan Panel meetings to help ensure that the needs of the Project Team, regulators, and experts are met at each stage of the work.
- Report the Panel’s consensus findings and recommendations in draft and final forms.

A detailed scope of services can be found in the attached proposal from NWRI.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 3 – Systems Efficiency.

This item directly relates to the District’s Mission Statement.

Budget:

This item is budgeted and will be covered as part of Work Order No. 23-419.

Supporting Documents:

- NWRI Proposal dated July 27, 2023

NATIONAL WATER RESEARCH INSTITUTE

Proposed Budget for NWRI Panel to Review Brine Management Technology (updated 07.27.2023)

Expert Panel Member Honoraria at \$900 per day / \$112.50 per hour	Panelists	Cost
Two Workshops (One Remote, One In-Person): Prep, Participation, Followup	3	\$16,200
Two Online Meetings (Orientation and Status Update): Prep, Participation, Followup	3	\$5,400
Panel Chair Additional Effort for Planning Calls, Managing Expert Assignments, etc.	1	\$2,700
Subtotal - Panel Honorarium		\$24,300
Direct NWRI Staff Costs for Panel Setup, Administration, and Remote Meetings		Cost
Panel Facilitator		\$10,560
Project Manager		\$13,840
Communications Manager		\$7,632
Administrative, Finance, and Events Staff		\$5,680
Subtotal - Direct NWRI Staff Costs		\$37,712
Total Cost for Scope of Work with Remote Meetings Only		\$62,012
Additional Staff Time and Costs to Support In-Person Meeting (Planning, Logistics, and Travel)		
* Travel Setup Administration Fee (Flat Fee)		\$1,500
Panel Facilitator		\$2,112
Project Manager		\$2,076
Communications Manager		\$0
Administrative, Finance, and Events Staff		\$3,408
Subtotal - Travel Setup and Staff Time for In-Person Meeting		\$9,096
**Travel Expense Allowance		\$5,000
Total Additional Cost for Travel and Logistics for One In-Person Meeting		\$14,096
Total Cost for Scope of Work with One In-Person Workshop at Palmdale WD		\$76,108

* Travel Setup Administration is a flat fee for the in-person meeting to support NWRI in administering Panel travel and logistics.

** Travel and accommodation expense estimate is based on five travelers (3 Panelists/2 NWRI staff) requiring one night hotel accommodation, two travelers requiring airfare, and five travelers requiring ground transportation and meals. This is our best estimate based on current prices. NWRI will request authorization for travel expenses before making any arrangements.

P A L M D A L E W A T E R D I S T R I C T
B O A R D M E M O R A N D U M

DATE: August 8, 2023

August 14, 2023

TO: BOARD OF DIRECTORS

Board Meeting

FROM: Mr. Scott Rogers, Engineering Manager

VIA: Mr. Dennis D. LaMoreaux, General Manager

RE: ***AGENDA ITEM NO. 7.5 – CONSIDERATION AND POSSIBLE ACTION ON AUTHORIZING STAFF TO ENTER INTO A CONTRACT WITH HAZEN AND SAWYER FOR THIRD PARTY REVIEW SERVICES FOR THE CAPTURE6 BRINE MANAGEMENT DEMONSTRATION PROJECT. (\$65,000.00 - NOT-TO-EXCEED - BUDGETED WORK ORDER NO. 23-419 - ENGINEERING MANAGER ROGERS)***

Recommendation:

Staff recommends that the Board authorize staff to enter into a contract with Hazen and Sawyer, from Los Angeles, California, in the not-to-exceed amount of \$65,000.00 for third-party review services for the Capture6 Brine Management Demonstration Project.

Alternative Options:

There are no alternative options.

Impact of Taking No Action:

The District will not receive regulatory approval and may have a loss of public confidence in the Program.

Background:

On April 10, 2023, the Board approved a Memorandum of Understanding (MOU) with Capture6 to demonstrate their brine treatment technology. To avoid a possible conflict of interest between Stantec and Capture6, an independent review of the effectiveness of Capture6's Demonstration System for brine treatment was recommended. Since the District has previously worked with Hazen and Sawyer, staff request that Hazen provide third-party services for the Capture6 Demonstration and assist the NWRI panel with cost-effectiveness and data analysis.

Hazen and Sawyer has expertise in potable reuse, reverse osmosis (RO) and RO concentrate management to provide an independent third-party review of these technologies for Palmdale Water and the Independent Advisory Panel (IAP). Our National Water Reuse Practice Leader, Troy Walker, will lead this Project. He has over 28 years of experience in membrane treatment technologies as applied to potable reuse and is supported by a well-qualified team of experts in the field of brine management.

August 8, 2023

Hazen and Sawyer services include the following summary:

- Document review.
- Data Review and Analysis
- Cost Analysis
- Final Report
- IAP Meeting Attendance

A detailed scope of services can be found in the attached proposal from Hazen and Sawyer.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 3 – Systems Efficiency.

This item directly relates to the District’s Mission Statement.

Budget:

This item is budgeted and will be covered as part of Work Order No. 23-419.

Supporting Documents:

- Hazen and Sawyer Proposal dated August 7, 2023



Hazen and Sawyer
800 W Sixth Street , Suite 400
Los Angeles, CA 90017 • 212.539.7000

August 7, 2023

Scott Rogers, PE
Engineering Manager
Palmdale Water District
2029 East Avenue Q,
Palmdale, California, 93550

Re: Third Party Review of Potable Reuse Concentrate Management Process for Pure Water Antelope Valley – Proposal 3

Dear Scott:

Thank you for your consideration of Hazen and Sawyer for third party review of the proposed concentrate management process for Pure Water Antelope Valley.

We understand that Palmdale Water District (Palmdale Water, PWD) is considering an innovative reverse osmosis concentrate management technology for the indirect potable reuse advanced water treatment plant (AWTP), as part of the Pure Water AV Program. The purpose of this technology is to increase the overall water yield from the AWTP, minimize the production of concentrate and manage it in an environmentally responsible and cost-effective manner. This technology will be tested as a part of the 12-month demonstration due in 2024.

Our team will bring expertise in potable reuse, reverse osmosis (RO) and RO concentrate management to support Palmdale Water with an independent third-party review of these technologies for Palmdale Water and the Independent Advisory Panel (IAP). Our National Water Reuse Practice Leader, Troy Walker, will lead this project. He has over 28 years of experience in membrane treatment technologies as applied to potable reuse. Additional support will be provided by Zayneb Mohammed, Silvana Ghiu, and estimator Chris Portner.

Proposed Scope of Work.

1. Document review including:
 - a. Review of background information including concept design, sizing/projections, and vendor equipment information for the RO and concentrate management system.
 - b. Review of the demonstration plant testing protocol and provision of comments/suggestions.
 - c. Review of demonstration plant testing protocol comments with PWD.
2. Monthly Data Review and reporting (12 months).

- a. Review of each monthly demonstration data focusing on the RO and RO concentrate management system to evaluate performance.
 - b. Provision of brief monthly data review summary report to PWD.
3. Draft final report at the conclusion of demonstration testing (one month following end of demonstration test or end of first 12 months of operation).
 - a. Final Draft report and internal QC.
 - b. Incorporation of comments from Palmdale Water and IAP.
4. Meetings including:
 - a. In person kick off meeting at Palmdale Water District Offices. To be attended by Project Manager, Project Engineer, and Principal (assume 2-hour meeting).
 - b. Quarterly meetings with the Pilot Testing Team. To be conducted virtually.
 - c. Meeting to discuss findings with the IAP. To be attended in person by Project Manager and Project Engineer. (Assume 2-hour meeting)
 - d. Two additional as needed meetings to be conducted virtually.
5. Cost Estimate review:
 - a. Review of the cost estimate provided by the innovative treatment technology proponent. This does not include any impacts to the main AWT treatment plant estimate.
 - b. Discussions and questions with the equipment supplier, facilitated through the District.
 - c. A final review to be included in the draft final report.

Our estimate for this level of effort is a not-to-exceed \$65,000.00 invoiced monthly.

Hazen assumes that Palmdale Water District will provide access to all necessary data and facilities to complete the scope of work. Additionally, we assume that the District will provide reasonable access to key personnel for interviews and meetings as necessary. Finally, our assumption is that the Palmdale Water District will provide timely feedback on all deliverables to ensure the project remains on schedule.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Troy Walker', with a stylized flourish at the end.

Troy Walker
Water Reuse Practice Leader/Project Manager

Appendix A: Detailed Fee Estimate

Scope for Concentrate Management Option Report Palmdale Water District									
Hazen									
Hazen and Sawyer August 7, 2023									
Task	Principal	Technical Lead	Engineering Support	Estimator	QA/QC	Total	Labor	Total Fee per Task	
	VP	AVP	A	E	SA				
	Kevin Alexander	Troy Walker	Zayneb Mohamed	Chris Portner	Silvana Ghiu	Hours	Fee		
Hourly Rate*	\$320	\$310	\$145	\$260	\$290				
Scope of Services									
1.0 Meetings	4	28	68	0	0	100	\$ 19,820	\$ 19,820	
<i>Kick Off Meeting (in person)</i>	4	4	4			12	\$ 3,100		
<i>Quarterly meetings with Pilot Testing Team</i>		8	32			40	\$ 7,120		
<i>Additional ad hoc meetings</i>		8	8			16	\$ 3,640		
<i>Meeting on findings with IAP (in person)</i>		8	24			32	\$ 5,960		
2.0 Document Review	0	14	32	0	0	46	\$ 8,980	\$ 8,980	
<i>Background review of Capture 6 technology</i>		4	8				\$ 2,400		
<i>Review demonstration plant protocol</i>		6	16				\$ 4,180		
<i>Review comments with Palmdale</i>		4	8				\$ 2,400		
3.0 Monthly Data Review	0	24	72	0	0	96	\$ 17,880	\$ 17,880	
<i>Monthly data review</i>		12	36				\$ 8,940		
<i>Monthly data review report</i>		12	36				\$ 8,940		
4.0 Draft Final Report	2	10	32	0	8	52	\$ 10,700	\$ 10,700	
<i>Draft final report</i>	2	8	24				\$ 6,600		
<i>Report internal QC</i>					8		\$ 2,320		
<i>Incorporate comments from Palmdale</i>		2	8				\$ 1,780		
5.0 Cost Estimate Review	0	0	0	28	0	28	\$ 7,280	\$ 7,280	
<i>Initial estimate review</i>				16			\$ 4,160		
<i>Discussion with equipment supplier</i>				4			\$ 1,040		
<i>Final estimate review (incorporated to final report)</i>				8			\$ 2,080		
Not Used							\$ -	\$ -	
TOTALS - BASIC SERVICES	6	80	212	28	8	334	\$ 64,660	\$ 64,660	
Hazen and Sawyer Labor Classifications						Engineering Direct Expenses		Unit Cost	Total \$
AVP - Associate VP / Technical Director / QA-QC						Mileage	212	\$ 0.655	\$ 138.86
SA - Senior Associate						Airfare	2	\$ 1,000	\$ 1,000
E - Estimator						Rental Car	2 x Walker	\$ 300	\$ 300
A - Associate						Accom	2 x Walker	\$ 500	\$ 500
PE - Process Engineer						Subtotal - Other Direct Costs \$ 1,939			
AE - Assistant Engineer									
SPD - Senior Project Designer									

Appendix B: Resumes

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: August 8, 2023 **August 14, 2023**
TO: BOARD OF DIRECTORS **Board Meeting and**
FROM: Mr. Dennis J. Hoffmeyer, Finance Manager/CFO **Public Financing Authority Mtg.**
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.6 – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 23-9 BEING A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE ISSUANCE BY THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY OF WATER REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$45,000,000 AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH. (FINANCE MANAGER HOFFMEYER/FINANCIAL ADVISOR EGAN/NHA ADVISORS)***

AGENDA ITEM NO. 4.2 (PWD PUBLIC FINANCING AUTHORITY) – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 2023-1 BEING A RESOLUTION OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$45,000,000 IN WATER REVENUE BONDS, SERIES 2023A, APPROVING THE EXECUTION OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH. (FINANCE MANAGER HOFFMEYER/FINANCIAL ADVISOR EGAN/NHA ADVISORS)

Recommendation:

Staff recommends that the Board adopt Resolution No. 23-9 being a Resolution of the Board of Directors of the Palmdale Water District Authorizing the Issuance by the Palmdale Water District Public Financing Authority of Water Revenue Bonds in an Aggregate Principal Amount Not to Exceed \$45,000,000 and Approving Certain Documents in Connection Therewith.

Staff also recommends that the Board of the Palmdale Water District Public Financing Authority adopt Resolution No. 2023-1 being a Resolution of the Palmdale Water District Public Financing Authority Authorizing the Issuance of Not to Exceed \$45,000,000 in Water Revenue Bonds, Series 2023A, Approving the Execution of Certain Documents and Authorizing Certain Acts in Connection Therewith.

Alternative Options:

The Board can choose not to adopt these Resolutions and instruct staff to seek alternative financing methods to pay for the capital projects it would like to complete.

Impact of Taking No Action:

The impact from no action would result in the District’s inability to issue bonds for financing the construction of the capital projects it intends to complete.

Background:

The District has approximately \$30.6 million in Capital Improvement Projects (CIP) through FY2024 which it intends to finance through the issuance of Water Revenue Bonds, Series 2023A (“2023A Bonds”). These bonds are the second series to be issued as part of the 2019 water rate study. The first series was issued in 2021. The legal documents proposed for approval by these two Resolutions would approve funding for the following CIP projects:

Project Description	Estimated Costs
Well 36 Equipping	\$ 4,000,000
3M Booster Station Rehabilitation (Contract awarded May 22, 2023)	6,300,000
Demonstration Facility Project Estimate (Contract award estimated October with project start in the spring)	14,000,000
Consulting and Project Management	4,000,000
Recycled Waterline (Avenue Q)	1,567,422
6M Clearwell (Beam and structure)	<u>650,000</u>
TOTAL	<u>\$30,517,422</u>

The District will include refunding the remaining years (2023 – 2030) of the 2013A Water Revenue Bonds in the amount of \$8,240,000. This will be done to eliminate a potential pinch point in the debt service coverage in 2029-2030 ahead of full funding for Pure Water AV.

By adopting the attached Resolutions, in combination, the District and Authority are taking the following steps:

1. Approval of an Installment Purchase Agreement, wherein the District makes installment purchase payments (debt service payments) secured by a pledge of net revenues (after operating expenses) of the District. This Agreement is between the District and the Palmdale Water District Public Financing Authority.
2. Approval of the Indenture of Trust, wherein BNY Mellon, the trustee, is instructed how to manage cash flows and various accounts related to the bond issue.
3. Approval of an Assignment Agreement, which assigns the Installment Purchase Agreement from the Palmdale Water District Public Financing Authority to the trustee for the bond issue, The Bank of New York Mellon Trust Company, N.A. (“BNY Mellon”).
4. Approval of the Purchase Contract, wherein Hilltop Securities, the bond underwriter, sets forth its commitment to purchase the 2023A Bonds from the Public Financing Authority.
5. Approval of the Preliminary Official Statement, wherein information regarding the security for the bonds and the credit of the District is communicated to potential investors.

6. Authorizing and directing the specified District staff to do any and all things and deliver any and all documents which they may deem necessary in order to carry out the terms of the resolutions.

The District's debt is secured by the net revenues of the District after operating expenses. The District has ample capacity based on current net revenues to issue this debt. However, rates will need to have continued adjustments as approved in the 2019 rate study to service this debt and meet other anticipated increases in operating expenses.

The proposed 2023A Bonds will be amortized over a period of 30 years. In order to minimize rate impact, the capital projects funding portion of the 2023A Bonds will be interest only through 2034, "wrapping around" the bulk of the District's existing debt to make the aggregate debt service as level as possible. An all-in interest rate of approximately 4.9% is expected, based on current bond market conditions. Annual debt service for the 2023A Bonds is expected to be approximately \$1.9 million per year through 2034, then step up to \$2.6 million for 2035-2043, \$3.8 million for 2044-2048, \$4.6 million for 2049-2051, and \$5.3 million in 2052 and 2053. Since the rate study approved by the Board in 2019 provides ample revenue to support both the 2021A Bonds and the anticipated 2023A bond issue, there will be no additional rate pressure from the issuance of both the proposed bond issues.

Note that for legal reasons, the District's joint powers authority formed in connection with the 2021A Bonds, the Palmdale Water District Public Financing Authority, needs to be involved in the transaction. The Installment Purchase Agreement securing the financing is technically a purchase by the District of the improvements to be funded by the proposed bond issue. Consequently, there needs to be both a purchaser (the District) and a seller (the Public Financing Authority). Otherwise, the Public Financing Authority takes no active role in the financing, since pursuant to the Assignment Agreement it assigns all of its rights (other than to indemnification and notice) under the Installment Purchase Agreement to BNY Mellon, the trustee for the bond issue. In addition, use of the Public Financing Authority as the actual issuer of the bonds enables the debt obligation to be called a "revenue bond," which has advantages with bond investors.

Budget Impact:

The fixed expenses of the District for debt service will increase by approximately \$1.9 million per year in 2024-2034 after issuance of the 2023A Bonds. While debt service on the 2023A Bonds is estimated to increase to \$2.6 million in 2035, \$3.8 million 2044, \$4.6M in 2051, and finally to \$5.3 million in 2053, the overall debt service of the District will actually decrease in 2029 and 2030, because of the refunding of the 2013 Bonds. Ample rate capacity under the 2019 rate study exists for the proposed 2023A Bonds.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 1 – "Water Resource Reliability" and Strategic Initiative No. 4 – "Financial Health and Stability"

This item directly relates to the District's Mission Statement.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT
VIA: Mr. Dennis D. LaMoreaux, General Manager

August 8, 2023

Supporting Documents:

- Resolution No. 23-9 of the Palmdale Water District
- Resolution No. 2023-1 of the Palmdale Water District Public Financing Authority
- Installment Purchase Agreement
- Assignment Agreement
- Indenture of Trust
- Escrow Agreement
- Preliminary Official Statement (To be delivered on Thursday, August 10, 2023)

RESOLUTION NO. 23-9

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE ISSUANCE BY THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY OF WATER REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$45,000,000 AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, the Palmdale Water District (the “District”) is an irrigation district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the “State”);

WHEREAS, the District proposes to finance the acquisition and construction of certain improvements, betterments, renovations to and expansions of facilities within its water system including, but not limited to, pipeline, well, booster and water treatment plant projects (the “2023 Project”);

WHEREAS, the District proposes to refinance certain installment payments owed by the District in connection with the outstanding Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2013A (the “2013 Installment Payments”);

WHEREAS, the District desires to have the Palmdale Water District Public Financing Authority (the “Authority”) issue Water Revenue Bonds (the “Bonds”) for the purpose of financing the 2023 Project, refinancing the 2013 Installment Payments and paying costs of issuance in connection therewith;

WHEREAS, the Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the “Act”) and an Indenture of Trust by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee;

WHEREAS, in accordance with the requirements of Government Code Section 5852.1, there has been presented to the Board of Directors of the District and disclosed at the meeting at which this resolution is being adopted the information required by Government Code Section 5852(a)(1) which is attached hereto as Exhibit A;

WHEREAS, the District is authorized by Division 11 of the Water Code of the State of California, including, but not limited to Sections 22225 through 22231, to acquire property for its water system;

NOW, THEREFORE, the Board of Directors of the Palmdale Water District hereby finds, determines, declares and resolves as follows:

Section 1. Each of the above recitals is true and correct. The Board of Directors hereby further finds and determines that there are significant public benefits of the type described in Section 6586 of the Act to the District and its residents by issuing the Bonds under the Act in that the issuance of the Bonds and related transactions will result in demonstrable savings in bond preparation, bond underwriting and bond issuance costs.

Section 2. The issuance by the Authority of the Bonds in the principal amount not to exceed \$45,000,000 to finance the 2023 Project, to refinance all or a portion of the 2013 Installment Payments and to pay the cost of issuance of the Bonds is hereby approved; provided, however, that the Bonds shall be issued only in accordance with the parameters set forth in Section 5 below.

Section 3. The Installment Purchase Agreement by and between the District and the Authority, in substantially the form on file with the Secretary of the Board, is hereby approved, and each of the President of the Board of Directors, the General Manager of the District (the “General Manager”) and the Finance Manager of the District (the “Finance Manager”), or their designees (collectively, the “Authorized Officers”), acting alone, is hereby authorized and directed to execute and deliver such Installment Purchase Agreement with such changes, insertions and omissions as may be approved by the District’s legal counsel and Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”), with the execution thereof by an Authorized Officer being conclusive evidence of approval of any such changes, insertions or omissions.

Section 4. The Continuing Disclosure Certificate to be executed by the District in connection with the issuance of the Bonds, in substantially the form on file with the Secretary of the

Board, is hereby approved, and each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by the District's legal counsel and Bond Counsel, with the execution thereof by an Authorized Officer being conclusive evidence of approval of any such changes, insertions or omissions.

Section 5. The Bond Purchase Agreement by and among the District, the Authority and Hilltop Securities, Inc. (the "Underwriter"), in substantially the form on file with the Secretary of the Board, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the District's legal counsel and Bond Counsel, with the execution thereof by an Authorized Officer being conclusive evidence of approval of any such changes, insertions or omissions; provided, however, that in no event shall the principal amount of the Bonds exceed \$45,000,000, nor shall the underwriter's discount exceed 0.6% of the principal amount of the Bonds.

Section 6. The form of the Preliminary Official Statement, presented to this meeting and on file with the Secretary of the Board, is hereby approved. The General Manager, the Finance Manager and their designees are hereby authorized to make such changes to the Preliminary Official Statement as are necessary to make it final as of its date and are authorized and directed to execute and deliver a certificate deeming the Preliminary Official Statement final as of its date in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute, approve and deliver the final Official Statement in the form of the Preliminary Official Statement with such changes, insertions and omissions as the Authorized Officer executing said document may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by an Authorized Officer.

Section 7. The Escrow Agreement relating to the defeasance of the 2013 Installment Payments being refinanced, by and among the District, the Authority and The Bank of New York

Mellon Trust Company, N.A., as escrow agent, in substantially the form on file with the Secretary of the Board, is hereby approved, and each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the District's legal counsel and Bond Counsel, with the execution thereof by an Authorized Officer being conclusive evidence of approval of any such changes, insertions or omissions.

Section 8. The Secretary of the Board, or persons as may have been designated by the General Manager, are hereby authorized and directed to attest the signature of any of the Authorized Officers designated herein to execute any documents, as may be required or appropriate in connection with the execution and delivery of the Bond Purchase Agreement, the Installment Purchase Agreement, the Continuing Disclosure Certificate, the Escrow Agreement and the Official Statement.

Section 9. Each of the Authorized Officers, acting alone, is authorized to execute a contract for services with Stradling Yocca Carlson & Rauth, a Professional Corporation, to act as Bond Counsel and Disclosure Counsel to the District, and with NHA Advisors to act as Municipal Advisor to the District (the "Municipal Advisor"), in connection with the issuance of the Bonds. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as trustee for the Bonds and escrow agent under the Escrow Agreement, and the General Manager is hereby authorized to appoint any replacement trustee and/or escrow agent while the Bonds are outstanding.

Section 10. Each of the General Manager, the Finance Manager and their designees, acting alone, is hereby authorized to (i) execute a commitment for municipal bond insurance and/or a reserve surety policy from a municipal bond insurer (the "Insurer"), (ii) to finalize the form of such policy or policies with the Insurer, and (iii) if it is determined by the General Manager, the Finance Director or their designee that the policy or policies will result in interest rate savings on the Bonds, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the Bonds. Bond Counsel is hereby directed to make all changes to the Preliminary Official Statement, the Continuing Disclosure Certificate, the Installment Purchase Agreement, the Escrow Agreement and

the Bond Purchase Agreement as are necessary to reflect the selection of an Insurer, including the terms of any commitment and the Insurer's reasonable comments to such documents.

Section 11. The Authorized Officers are each hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which each may deem necessary or advisable in order to consummate the issuance of the Bonds and the financing of the 2023 Project and the refinancing of the 2013 Installment Payments, and to otherwise carry out, give effect to and comply with the terms and intent of this Resolution, the Bonds, the Installment Purchase Agreement, the Continuing Disclosure Certificate, the Escrow Agreement, the Bond Purchase Agreement, the Preliminary Official Statement and the Official Statement. Such actions heretofore taken by such officers or designees are hereby ratified, confirmed and approved.

Section 12. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Installment Purchase Agreement unless the context otherwise clearly requires.

Section 13. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District, California, this 14th day of August, 2023, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

President

ATTEST:

Secretary

EXHIBIT A

GOOD FAITH ESTIMATES

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 the Municipal Advisor.

Principal Amount. The Municipal Advisor has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be sold is \$42,295,000 (the "Estimated Principal Amount"). Based on the Estimated Principal Amount, the following good faith estimates are provided:

(a) True Interest Cost of the Bonds. The Municipal Advisor 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 4.76%.

(b) Finance Charge of the Bonds. The Municipal Advisor 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, is \$831,426.

(c) Amount of Proceeds to be Received. The Municipal Advisor 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 Authority for sale of the Bonds, less the finance charges set forth in (b) above, and any reserves or capitalized interest to be paid or funded with proceeds of the Bonds, together with any premium received, is \$39,353,100.

(d) Total Payment Amount. The Municipal Advisor 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 Authority will make to pay debt service on the Bonds, plus the finance charge for the Bonds as described in (b) above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$87,258,613 (\$0.00 of which will be paid for from capitalized interest).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, 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 the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.

RESOLUTION NO. 2023-1

**RESOLUTION OF THE PALMDALE WATER DISTRICT
PUBLIC FINANCING AUTHORITY AUTHORIZING THE
ISSUANCE OF NOT TO EXCEED \$45,000,000 WATER
REVENUE BONDS, SERIES 2023A, APPROVING THE
EXECUTION OF CERTAIN DOCUMENTS AND
AUTHORIZING CERTAIN ACTS IN CONNECTION
THEREWITH**

WHEREAS, the Palmdale Water District Public Financing Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “Authority”) which has the authority to assist in financing the acquisition, construction, installation and equipping of capital improvements on behalf of the Palmdale Water District (the “District”);

WHEREAS, the District has requested that the Authority assist the District in financing certain capital improvements to the District’s Water System, including, but not limited to, pipeline, well, booster and water treatment plant projects (the “2023 Project”); and

WHEREAS, the District has requested that the Authority assist the District in refinancing certain installment payments owed by the District in connection with the Authority’s outstanding Water Revenue Bonds, Series 2013A (the “2013 Installment Payments”); and

WHEREAS, the Board of Directors of the Authority has determined to assist the District with the financing of the 2023 Project and the refinancing of all or a portion of the 2013 Installment Payments through the issuance of the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2023A (the “2023A Bonds”) and desires to approve certain documents in connection therewith;

WHEREAS, the 2023A Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the “Act”) and an Indenture of Trust by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee;

WHEREAS, in accordance with the requirements of Government Code Section 5852.1, there has been presented to the Board of Directors of the Authority and disclosed at the meeting at which this resolution is being adopted the information required by Government Code Section 5852(a)(1) which is attached hereto as Exhibit A;

NOW THEREFORE, the Board of Directors of the Palmdale Water District Public Financing Authority hereby finds, determines, declares and resolves as follows:

Section 1. The issuance of the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2023A in the principal amount not to exceed \$45,000,000 is hereby approved in order to finance the 2023 Project, to refinance all or a portion of the 2013 Installment Payments and to pay the cost of issuance for the 2023A Bonds; provided, however, that the 2023A Bonds shall be issued only in accordance with the parameters set forth in Section 5 below.

Section 2. The Installment Purchase Agreement by and between the District and the Authority, in substantially the form on file with the Authority, is hereby approved. Each of the President, Vice President, Executive Director, Treasurer and Secretary of the Authority, or the President's designee (collectively, the "Authorized Officers"), acting alone, is hereby authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Installment Purchase Agreement in its final form being conclusive evidence of the approval by such person.

Section 3. The Indenture of Trust by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Authority Indenture in its final form being conclusive evidence of the approval by such person.

Section 4. The Assignment Agreement, by and between the Authority and the Trustee, in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Assignment Agreement with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Assignment Agreement in its final form being conclusive evidence of the approval by such person.

Section 5. The Bond Purchase Agreement by and among the Authority, the District and Hilltop Securities, Inc. (the “Underwriter”), in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Bond Purchase Agreement in its final form being conclusive evidence of the approval by such person; provided, however, that in no event shall the principal amount of the 2023A Bonds exceed \$45,000,000, nor shall the Underwriter’s discount exceed 0.6% of the principal amount of the 2023A Bonds.

Section 6. The preparation and distribution of the Preliminary Official Statement, in substantially the form on file with the Authority, is hereby approved, together with such changes as are necessary to make the Preliminary Official Statement accurate as of its date, with the Preliminary Official Statement being subject to final approval as to form by the District’s legal counsel and the law firm of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”). Each of the Authorized Officers, acting alone, is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, relating to the Preliminary Official Statement, and each of the Authorized Officers, acting alone, is hereby authorized and directed to execute, approve and deliver the final Official Statement in the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by the person executing the same, said execution being conclusive evidence of the approval of such

changes, insertions and omissions. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the initial purchase of the 2023A Bonds and is directed to deliver copies of any final Official Statement to all actual initial purchasers of the 2023A Bonds.

Section 7. The Escrow Agreement relating to the defeasance of the 2013 Installment Payments being refinanced, by and among the Authority, the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent, in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Escrow Agreement in its final form being conclusive evidence of the approval by such person.

Section 8. Each of the Executive Director, the Treasurer or their respective designees, acting alone, is hereby authorized to (i) execute a commitment for municipal bond insurance and/or a reserve surety policy from a municipal bond insurer (the “Insurer”), (ii) to finalize the form of such policy or policies with the Insurer, and (iii) if it is determined Executive Director, the Treasurer or one of their respective designees that the policy or policies will result in interest rate savings on the 2023A Bonds, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the 2023A Bonds. Bond Counsel is hereby directed to make all changes to the Preliminary Official Statement, the Installment Purchase Agreement, the Indenture of Trust, the Assignment Agreement and the Bond Purchase Agreement as are necessary to reflect the selection of an Insurer, including the terms of any commitment and the Insurer’s reasonable comments to such documents.

Section 9. Each of the President, Vice President, Executive Director, Treasurer or Secretary and any other proper officer of the Authority is hereby authorized and directed to execute

and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture of Trust, the Installment Purchase Agreement, the Assignment Agreement, the Escrow Agreement, the Bond Purchase Agreement, the Preliminary Official Statement and this Resolution.

Section 10. Each of the Authorized Officers is authorized to provide for all services necessary to effect the issuance of the 2023A Bonds. Such services shall include, but are not limited to, obtaining legal services, municipal advisor services, trustee services and any other services deemed appropriate by an Authorized Officer. Any one of the Authorized Officers is authorized to pay for the cost of such services, together with other costs of issuance for the 2023A Bonds, from the proceeds of the 2023A Bonds, and to execute and any all agreements required to obtain such services.

Section 11. The Bank of New York Mellon Trust Company, N.A. is hereby appointed to act as trustee under the Indenture of Trust and as escrow agent under the Escrow Agreement.

Section 12. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture of Trust unless the context otherwise clearly requires.

Section 13. This Resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District Public Financing Authority, California, this 14th day of August, 2023, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

President

ATTEST:

Secretary

EXHIBIT A

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the 2023A Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Authority by NHA Advisors, its municipal advisor (the “Municipal Advisor”).

Principal Amount. The Municipal Advisor has informed the Authority that, based on the Authority’s financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the 2023A Bonds to be sold is \$42,295,000 (the “Estimated Principal Amount”). Based on the Estimated Principal Amount, the following good faith estimates are provided:

(a) True Interest Cost of the 2023A Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2023A 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 2023A 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 2023A Bonds, is 4.76%

(b) Finance Charge of the 2023A Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2023A 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 2023A Bonds, which means the sum of all fees and charges paid to third parties, is \$831,426.

(c) Amount of Proceeds to be Received. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2023A 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 Authority for sale of the 2023A Bonds, less the finance charges set forth in (b) above, and any reserves or capitalized interest to be paid or funded with proceeds of the 2023A Bonds, together with any premium received, is \$39,353,100.

(d) Total Payment Amount. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2023A 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 Authority will make to pay debt service on the 2023A Bonds, plus the finance charge for the 2023A Bonds as described in (b) above not paid with the proceeds of the 2023A Bonds, calculated to the final maturity of the 2023A Bonds, is \$87,258,613 (\$0.00 of which will be paid for from capitalized interest).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the 2023A Bonds issued and sold, the true interest cost thereof, 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 2023A Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2023A Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization

of the 2023A 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 2023A Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the Authority's financing plan, or a combination of such factors. The actual date of sale of the 2023A Bonds and the actual principal amount of 2023A Bonds sold will be determined by the Authority based on the timing of the need for proceeds of the 2023A Bonds and other factors. The actual interest rates borne by the 2023A Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the 2023A Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Authority.

INSTALLMENT PURCHASE AGREEMENT

by and between

PALMDALE WATER DISTRICT

and

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

Dated as of _____ 1, 2023

Relating to

\$ _____

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2023A**

TABLE OF CONTENTS

Page

**ARTICLE I
DEFINITIONS**

Section 1.1 Definitions..... 1

**ARTICLE II
REPRESENTATIONS AND WARRANTIES**

Section 2.1 Representations by the District 15
Section 2.2 Representations and Warranties by the Authority 15

**ARTICLE III
ACQUISITION OF THE PROJECT**

Section 3.1 Changes to the Project 16
Section 3.2 Sale and Purchase of the Project..... 16
Section 3.3 Purchase and Sale of the Project..... 16
Section 3.4 Title 16
Section 3.5 Acquisition and Construction of the Project..... 16

**ARTICLE IV
SERIES 2023A INSTALLMENT PAYMENTS**

Section 4.1 Purchase Price..... 17
Section 4.2 Series 2023A Installment Payments 17
Section 4.3 Additional Payments..... 17

**ARTICLE V
SECURITY**

Section 5.1 Pledge of Water Revenues 18
Section 5.2 Allocation of Water Revenues 18
Section 5.3 Additional Contracts and Bonds 19
Section 5.4 Investments 22
Section 5.5 Rate Stabilization Fund..... 22
Section 5.6 Payment of Insurer Costs 22

**ARTICLE VI
COVENANTS OF THE DISTRICT**

Section 6.1 Compliance with Installment Purchase Agreement and Ancillary Agreements..... 22
Section 6.2 Against Encumbrances..... 23
Section 6.3 Against Sale or Other Disposition of Property 23
Section 6.4 Against Competitive Facilities..... 23
Section 6.5 Tax Covenants 23
Section 6.6 Maintenance and Operation of the Water System 24
Section 6.7 Payment of Claims 24
Section 6.8 Compliance with Contracts..... 25
Section 6.9 Insurance 25
Section 6.10 Accounting Records; Financial Statements and Other Reports 26
Section 6.11 Protection of Security and Rights of the Authority..... 26

TABLE OF CONTENTS
(continued)

	Page
Section 6.12	Payment of Taxes and Compliance with Governmental Regulations..... 26
Section 6.13	Amount of Rates and Charges 26
Section 6.14	Collection of Rates and Charges..... 27
Section 6.15	Eminent Domain Proceeds..... 27
Section 6.16	Further Assurances..... 27
Section 6.17	Enforcement of Contracts 27
Section 6.18	Superior Additional Obligations 27
Section 6.19	Continuing Disclosure 28
Section 6.20	Payments in Connection with the State Water Supply Contract..... 28
Section 6.21	Provision of Information to the Insurer..... 28

ARTICLE VII
PREPAYMENT OF SERIES 2023A INSTALLMENT PAYMENTS

Section 7.1	Prepayment 28
Section 7.2	Method of Prepayment..... 29

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1	Events of Default and Acceleration of Maturities 29
Section 8.2	Application of Funds Upon Acceleration 30
Section 8.3	Other Remedies of the Authority 30
Section 8.4	Non-Waiver..... 31
Section 8.5	Remedies Not Exclusive 31

ARTICLE IX
DISCHARGE OF OBLIGATIONS

Section 9.1	Discharge of Obligations 32
-------------	-----------------------------------

ARTICLE X
MISCELLANEOUS

Section 10.1	Liability of District Limited..... 32
Section 10.2	Benefits of Installment Purchase Agreement Limited to Parties 33
Section 10.3	Successor Is Deemed Included in all References to Predecessor 33
Section 10.4	Waiver of Personal Liability 33
Section 10.5	Article and Section Headings, Gender and References 33
Section 10.6	Partial Invalidity..... 33
Section 10.7	Assignment 34
Section 10.8	Net Contract..... 34
Section 10.9	California Law 34
Section 10.10	Notices 34
Section 10.11	Effective Date 34
Section 10.12	Execution in Counterparts..... 34
Section 10.13	Indemnification of Authority and the Trustee..... 35
Section 10.14	Insurer as Third Party Beneficiary 35
Section 10.15	No Impairment of Insurer’s Rights 35

TABLE OF CONTENTS
(continued)

	Page
Section 10.16 Insurer Considerations	35
Section 10.17 Amendments Permitted.....	35
Signatures	S-1
Exhibit A Description of the Project	A-1
Exhibit B Purchase Price	B-1
Exhibit C Form of Substitution Certificate	C-1

INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into and dated as of _____ 1, 2023, by and between PALMDALE WATER DISTRICT, an irrigation district duly organized and existing under and by virtue of the laws of the State of California (the “District”), and PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Authority”).

WITNESSETH:

WHEREAS, the District proposes to finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its Water System described in Exhibit A hereto (the “Project”) and refinance certain installment payments owed by it in connection with the Authority’s Water Revenue Bonds, Series 2013A (the “2013 Installment Payments”);

WHEREAS, the Authority has agreed to assist the District in financing the Project for the District and refinance the 2013 Installment Payments on the terms and conditions set forth in this Installment Purchase Agreement;

WHEREAS, the Authority is authorized pursuant to the Act (defined herein) to assist the District in financing the Project and refinancing the 2013 Installment Payments, and to enter into this Installment Purchase Agreement.

WHEREAS, the District is authorized by Division 11 of the Water Code of the State of California, including, but not limited to Sections 22228 through 22231, 22245 and 22426, to acquire and refinance property for its Water System;

WHEREAS, the District and the Authority have duly authorized the execution of this Installment Purchase Agreement;

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

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any

report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture of Trust.

Act

The term “Act” means the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code and all laws amendatory thereof or supplemental thereto.

Assumed Interest Rate

The term “Assumed Interest Rate” means the amount of interest calculated in accordance with the following provisions:

(A) Generally. Except as otherwise provided in subparagraph (B) below with respect to Variable Interest Rate Contracts, in subparagraph (C) below with respect to Contracts or Bonds with respect to which a Payment Agreement is in force, and in subparagraph (D) below with respect to Balloon Contracts, interest on any Contracts or Bonds shall be calculated based on the actual amount of interest that is payable under such Contracts or Bonds;

(B) Interest on Variable Interest Rate Contracts. Interest deemed to be payable on any Variable Interest Rate Contract for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined shall be calculated on the assumption that the interest rate on such Variable Interest Rate Contract would be equal to (i) the average rate that accrued on such Variable Interest Rate Contract over the preceding 12 months, or (ii) if the Variable Interest Rate Contract has not been accruing interest at a variable rate for 12 months, the average interest rate that accrued on an outstanding Variable Interest Rate Contract of the District for which interest is computed on substantially the same basis during the preceding twelve month period, or (iii) if no such comparable Variable Interest Rate Contract was outstanding during the 12 months preceding the date of calculation, then (x) if the interest on such Variable Interest Rate Contract is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for The Bond Buyer Revenue Bond Index over the preceding 12 months, or, if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for an outstanding Contracts or Bonds, or, if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such Treasury Bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if interest on such Variable Interest Rate Contract is not excluded from gross income for purposes of Federal income taxation, 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(C) Interest on Obligations with respect to which a Payment Agreement is in Force. Interest deemed to be payable on any Contracts or Bonds with respect to which a Payment

Agreement is in force shall be based on the net economic effect on the District expected to be produced by the terms of such Contracts or Bonds and such Payment Agreement, including but not limited to the effects that (i) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Contracts or Bonds plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Contracts or Bonds, the following assumptions shall be made:

(1) District Obligated to Pay Net Variable Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net variable interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest rate on such Contracts or Bonds for future periods when the actual interest rate cannot yet be determined shall be assumed (but only during the period the Payment Agreement is in effect) to be equal to the sum of (i) the fixed rate or rates stated in such Contracts or Bonds, minus (ii) the fixed rate paid by the Qualified Counterparty to the District, plus (iii) the lesser of (A) the interest rate cap, if any, provided by a Qualified Counterparty with respect to such Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the applicable Variable Interest Rate calculated in accordance with paragraph (B) above; and

(2) District Obligated to Pay Net Fixed Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net fixed interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest on such Contracts or Bonds shall be included in the calculation of Payments (but only during the period the Payment Agreement is in effect) by including for each Fiscal Year or twelve (12) calendar month period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Payment Agreement;

(D) Interest on Balloon Contracts. If any outstanding Contracts or Bonds constitute Balloon Contracts (and such Contracts or Bonds do not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant to clause (E), below) or if Contracts or Bonds proposed to be incurred would constitute Balloon Contracts (and such Contracts or Bonds would not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant to clause (E), below), then such Balloon Contracts shall be treated as if the principal amount of such Contracts or Bonds were amortized from the date originally incurred in substantially equal installments of principal and interest over a term of 30 years (provided, however, that the full principal amount of such Balloon Contract shall be included in making such calculation if such principal amount is due within 90 days of the date such calculation is being made); and, if interest accrues under such Balloon Contract at other than a fixed rate, the interest rate used for such computation shall be (x) if the interest on such Contracts or Bonds is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for The Bond Buyer Revenue Bond Index over the preceding 12 months, or if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for outstanding Contracts or Bonds, or if the District fails to select a replacement index, an interest

rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Contracts or Bonds on the date incurred, or if there are no such United States Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if the interest on such Contracts or Bonds is not excluded from gross income for purposes of Federal income taxation, the rate equal to 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Balloon Contract, or, if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(E) Exclusion of Certain Short-Term Obligations. If any outstanding Contracts or Bonds constitute Short-Term Obligations or if Contracts or Bonds proposed to be incurred would constitute Short-Term Obligations, and such Short-Term Obligations are or will be payable only out of Revenues of the Fiscal Year in which such Short-Term Obligations are incurred, then such Short-Term Obligations shall be disregarded and not included in calculating Parity Payments;

(F) Credit for Accrued and Capitalized Interest. If amounts constituting accrued interest or capitalized interest have been deposited with a third party trustee, then the interest payable from such amounts with respect to the Contracts or Bonds shall be disregarded and not included in calculating Parity Payments.

Authority

The term “Authority” means Palmdale Water District Public Financing Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California.

Balloon Contract

The term “Balloon Contract” means Contracts or Bonds 50% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Contracts or Bonds were incurred to be amortized by payment or redemption prior to such date.

Balloon Installment Payments

The term “Balloon Installment Payments” means any Parity Payments designated as such in any Balloon Contract.

Bonds

The term “Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are on a parity with the Series 2023A Installment Payments and which are secured by a pledge of and lien on the Water Revenues, including but not limited to, the District’s 2020 Water Revenue Refunding Bonds (Federally Taxable). The term Bonds does not include bonds heretofore or hereafter issued required by law to be paid by the District from taxes or assessments which are not Water Revenues.

Budgeted Transfers

The term “Budgeted Transfers” means, for any Fiscal Year, lawfully available amounts, including in the Rate Stabilization Fund, as of the last day of such Fiscal Year, in each case, (a) which may be lawfully used to pay the Installment Payments and (b) that have been transferred to the Water Revenue Fund, pursuant to a budget process where such amounts have been budgeted and approved by the Board of Directors of the District (and which removal from the Water Revenue Fund would require a separate budget and approval process by the Board of Directors of the District prior to any such removal), for application solely to the Water System.

Construction Fund

The term “Construction Fund” means the fund by that name created pursuant to the Indenture of Trust.

Continuing Disclosure Certificate

The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated _____, 2023 and executed by the District in connection with the 2023A Bonds.

Contracts

The term “Contracts” means this Installment Purchase Agreement, and any amendments and supplements hereto, and all contracts of the District authorized and executed by the District, the Installment Payments or payments under which are on a parity with the Series 2023A Installment Payments and which are secured by a pledge and lien on the Water Revenues, including but not limited to, the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement, the 2018 Installment Purchase Agreement, the 2020 Installment Purchase Agreement, the 2021 Installment Purchase Agreement, the 2021A Installment Purchase Agreement and the 2022 Installment Purchase Agreement. The term “Contracts” does not include the contracts with the State of California for the State Water Project, including the State Water Supply Contract.

Date of Operation

The term “Date of Operation” means, with respect to any uncompleted Project, the estimated date by which such Project will have been completed and, in the opinion of an engineer, will be ready for commercial operation by or on behalf of the District.

Debt Service

The term “Debt Service” means, for any Fiscal Year, the sum of: (1) the interest paid during such Fiscal Year 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 to be paid from the proceeds of sale of any Bonds), (2) that portion of the principal amount of all outstanding serial Bonds paid during such Fiscal Year, (3) that portion of the principal amount of all outstanding term Bonds required to be paid during such Fiscal Year, and (4) that portion of any payments, including the Installment Payments, required to be made at the times provided in the Contracts during such Fiscal Year.

For purposes of this definition, interest on any Contracts or Bonds executed or issued by the District shall be calculated by the District based upon the Assumed Interest Rate.

Upon the defeasance in full of the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement, the 2018 Installment Purchase Agreement, the 2020 Installment Purchase Agreement, the 2021 Installment Purchase Agreement, the 2021A Installment Purchase Agreement and the District's 2020 Water Revenue Refunding Bonds (Federally Taxable), the term "Debt Service" shall mean, for any period of calculation:

(i) the interest required to be paid during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed 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);

(ii) those portions of the principal amount of all outstanding serial Bonds maturing in such period (but excluding Excluded Principal);

(iii) those portions of the principal amount of all outstanding term Bonds required to be paid in such period (but excluding Excluded Principal); and

(iv) those portions of the Contracts that are required to be paid during such period, (except to the extent that the interest that is evidenced and represented thereby 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 and excluding Excluded Principal);

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts;

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, for all purposes, be assumed to be a fixed rate equal to the higher of: (1) the then current variable interest rate borne by such Bonds or Contracts plus 1%; and (2) the highest variable rate borne over the preceding 3 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index that is comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

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 (and such principal is not Excluded Principal), Debt Service shall be determined for the period 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 which bear 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, to the extent that the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

District

The term “District” means the Palmdale Water District, an irrigation district organized and existing under the laws of the State of California.

Engineer’s Report

The term “Engineer’s Report” means a report signed by an Independent Engineer.

Event of Default

The term “Event of Default” means an event described in Section 8.1.

Excluded Principal

The term “Excluded Principal” means each payment of principal of any Bond or Contract for which there is on file with the Trustee (i) a certificate of an Independent Municipal Consultant to the effect that such Bond or Contract is commercial paper or otherwise of a short term or revolving nature and has a maturity of less than 60 months and (ii) a certificate of the Manager to the effect that the District intends to pay such principal from the proceeds of Bonds or Contracts, Subordinate Obligations or other bonds, notes or other obligations of the District. No such determination shall affect the security for such Bonds or Contracts or the obligation of the District to pay such Bonds or Contracts from Net Water Revenues.

Fiscal Year

The term “Fiscal Year” means the period beginning on January 1 of each year and ending on the last day of December of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Indenture of Trust

The term “Indenture of Trust” means the Indenture of Trust, dated as of _____ 1, 2023, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Independent Certified Public Accountant

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

Independent Engineer.

The term “Independent Engineer” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water delivery systems, appointed and paid by the District, and who or each of whom –

- (1) is in fact independent and not under the domination of the District;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (3) is not connected with the District as a director, officer or employee of the District, but may be regularly retained to make reports to the District.

Independent Municipal Consultant

The term “Independent Municipal Consultant” means a municipal advisor or firm of such municipal advisors appointed by the District, and 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.

Installment Payment Date; Series 2023A Installment Payment Date

The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the District under and pursuant to any Contract. The term “Series 2023A Installment Payment Date” means the tenth day preceding each Interest Payment Date pursuant to the Indenture of Trust.

Installment Payments; Series 2023A Installment Payments

The term “Installment Payments” means the payments scheduled to be paid by the District under and pursuant to the Contracts, including the Series 2023A Installment Payments. The term “Series 2023A Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant hereto.

Installment Purchase Agreement

The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of _____ 1, 2023, by and between the District and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Insurance Policy

The term “Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the 2023A Bonds when due.

Insurer

The term “Insurer” means _____, or any successor thereto or assignee thereof.

Law

The term “Law” means the Water Code of the State of California and all laws amendatory thereof or supplemental thereto.

Manager

The term “Manager” means the General Manager of the District, or any other person that is designated by the General Manager to act on behalf of the General Manager.

Maximum Annual Debt Service

The term “Maximum Annual Debt Service” means the highest Debt Service for any Fiscal Year or twelve (12) calendar month period through the final maturity date of all Contracts and Bonds; provided, however, for purposes of such calculation, the interest on all Contracts and Bonds shall be computed by the District at the applicable Assumed Interest Rate.

Net Proceeds

The term “Net Proceeds” means, when used with respect to any insurance or condemnation award, the gross proceeds from such insurance or condemnation award, paid with respect to the Water System, remaining after payment therefrom of all expenses incurred in the collection of such gross proceeds.

Net Water Revenues

The term “Net Water Revenues” means, for any Fiscal Year, the Water Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year.

Operation and Maintenance Costs

The term “Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System of the District, determined in accordance with generally accepted accounting principles, including any water purchase costs (exclusive of any recovered amount from the State of California’s Department of Water Resources in accordance with the State Water Supply Contract) and all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System of the District in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the maintenance and operation of the Water System of the District, such as salaries and wages of employees, overhead, insurance, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the District or charges required

to be paid by it to comply with the terms of this Installment Purchase Agreement and other Bonds and Contracts, such as compensation, reimbursement and indemnification of the Trustee; excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, all capital charges, and any contract payments due under the State Water Supply Contract paid from the proceeds of any assessments levied and collected by the District to pay contract payments due under the State Water Supply Contract.

Parity Payment Agreement

The term “Parity Payment Agreement” means a Payment Agreement which is a Contract.

Parity Payments

The term “Parity Payments” means all installment payments and other debt service payments scheduled to be paid by the District under all Contracts or Bonds.

Parity Payments Date

The term “Parity Payments Date” means the date on which any Parity Payments are due on Contracts or Bonds.

Payment Agreement

The term “Payment Agreement” means a written agreement for the purpose of managing or reducing the District’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the District and a Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to, the entering into of any Contracts or Bonds, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

Payment Agreement Payments

The term “Payment Agreement Payments” means the amounts periodically required to be paid by the District to all Qualified Counterparties under all Payment Agreements.

Payment Agreement Receipts

The term “Payment Agreement Receipts” means the amounts periodically required to be paid by all Qualified Counterparties to the District under all Payment Agreements.

Policy Costs

The term “Policy Costs” means the annual amount due with respect to any policy or surety bond in lieu of depositing cash in the Reserve Fund or any reserve fund established for any Bonds or Contracts.

Project

The term “Project” means the additions, betterments, extensions and improvements to the Water System, including real property and buildings, if any, described in Exhibit A hereto.

Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Authority under the terms hereof as provided in Section 4.1.

Qualified Counterparty

The term “Qualified Counterparty” means a party (other than the District or a party related to the District) who is the other party to a Payment Agreement and (1) (a) who is rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, (b) whose senior debt obligations are rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), or guaranteed by an entity so rated, (c) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, or (d) whose obligations under the Payment Agreement are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments, and (2) who is otherwise qualified to act as the other party to a Payment Agreement under all applicable laws of the State.

Rate Stabilization Fund

The term “Rate Stabilization Fund” means the fund by that name described in Section 5.5 herein.

Reserve Fund

The term “Reserve Fund” means the fund by that name established under, and held by the Trustee pursuant to Section 5.04 of the Indenture of Trust.

Reserve Surety Policy

The term “Reserve Surety Policy” means that certain municipal bond debt service reserve fund policy issued by the Insurer to satisfy the Reserve Requirement under the Indenture of Trust.

Short-Term Obligations

The term “Short-Term Obligations” means Contracts or Bonds having an original maturity of less than or equal to one year and which are not renewable at the option of the District for a term greater than one year beyond the date of original incurrence.

State Water Supply Contract

The term “State Water Supply Contract” means that certain contract between the State and the District by which the District obtains water from the State Water Project, as well as any other contract or agreement by which the District obtains water from the State Water Project and pursuant to which the District is entitled to levy assessments for the purpose of paying costs in connection therewith.

Subordinate Obligations

The term “Subordinate Obligations” means all contracts, bonds or other agreements of the District which are secured by a pledge of and lien on the Water Revenues subordinate to the pledge of and lien on Water Revenues securing the Contracts or Bonds.

Termination Payments

The term “Termination Payments” means any payments due and payable to a Qualified Counterparty in connection with the termination of a Payment Agreement.

Trustee

The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Trustee under and pursuant to the Indenture of Trust, and its successors and assigns.

2012 Installment Purchase Agreement

The term “2012 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Palmdale Water District Public Facilities Corporation and the District, dated as of November 1, 2012.

2013 Installment Payments

The term “2013 Installment Payments” means those certain installment payments owed by the District under the 2013 Installment Purchase Agreement, as amended.

2013 Installment Purchase Agreement

The term “2013 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Authority and the District, dated as of May 1, 2013, as amended.

2018 Installment Purchase Agreement

The term “2018 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Authority and the District, dated as of June 1, 2018.

2020 Installment Purchase Agreement

The term “2020 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and Western Alliance Business Trust, dated as of May 1, 2020.

2021 Installment Purchase Agreement

The term “2021 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Authority and the District, dated as of July 1, 2021.

2021A Installment Purchase Agreement

The term “2021A Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and Sterling National Bank, dated as of August 1, 2021.

2022 Installment Purchase Agreement

The term “2022 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and Municipal Finance Corporation, dated as of October 10, 2022.

2023A Bonds

The term “2023A Bonds” means the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2023A in the aggregate principal amount of \$_____.

Variable Interest Rate

The term “Variable Interest Rate” means any variable interest rate or rates to be paid under any Contracts or Bonds, the method of computing which variable interest rate shall be as specified in the applicable Contracts or Bonds, which Contracts or Bonds shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

Variable Interest Rate Contracts

The term “Variable Interest Rate Contracts” means, for any period of time, any Contracts or Bonds that bear a Variable Interest Rate during such period, except that no Contracts or Bonds shall be treated as a Variable Interest Rate Contract if the net economic effect of interest rates on any particular Parity Payments or such Contracts or Bonds and interest rates on any other Parity Payments of the same Contracts or Bonds, as set forth in such Contracts or Bonds, or the net economic effect of a Payment Agreement with respect to any particular Parity Payments, in either case is to produce obligations that bear interest at a fixed interest rate, and any Contracts or Bonds with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Contract if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

Water Revenue Fund

The term “Water Revenue Fund” means the Water System Revenue Fund described in Section 5.2 hereof.

Water Revenues

The term “Water Revenues” means, for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds 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 of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District’s share of the County’s 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year, minus (6) any revenues transferred to the Rate Stabilization Fund in such Fiscal Year.

Upon the defeasance in full of the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement and the 2020 Installment Purchase Agreement, the term “Water Revenues” shall mean, for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds 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 of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District’s share of the County’s 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year.

Water Service

The term “Water Service” means the water distribution service made available or provided by the Water System.

Water System

The term “Water System” means the entire 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.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations by the District. The District makes the following representations:

(a) The District is an irrigation district duly organized and existing under and pursuant to the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Installment Purchase Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Installment Purchase Agreement, and the District has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The District will not take or, to the extent within its power, permit any action to be taken which results in the interest paid for the installment purchase of the Project under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation or which results in interest on the 2023A Bonds being included in the gross income of the owners thereof for federal income tax purposes or being subject to State of California personal income taxation.

(e) The District has determined that it is necessary and proper for District uses and purposes within the terms of the Law that the District acquire the Project in the manner provided for in this Installment Purchase Agreement.

Section 2.2 Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers authority duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Agreement.

(b) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

(c) The Authority will not take or permit any action to be taken which results in interest paid for the installment purchase of the Project under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.1 Changes to the Project. The District may substitute other improvements for those listed as components of the Project in Exhibit A hereto, but only if the District first files with the Authority and the Trustee a statement of the District in the form attached as Exhibit C:

(a) identifying the improvements to be substituted and the improvements to District facilities they replace in the Project; and

(b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

Section 3.2 Sale and Purchase of the Project. In consideration for the Authority's assistance in financing the Project, the District agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase and hereby purchases, from the District, the Project at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.3 Purchase and Sale of the Project. In consideration for the Installment Payments as set forth in Section 4.2, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the Project at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.4 Title. All right, title and interest in the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Agreement.

Section 3.5 Acquisition and Construction of the Project. The Authority hereby agrees to cause the Project to be constructed, acquired and installed by the District as its agent. The District shall enter into contracts and provide for, as agent for the Authority, the complete construction, acquisition and installation of the Project. The District hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed after the deposit of funds into the Construction Fund, and that it will use its best efforts to cause the construction, acquisition and installation of the Project to be completed. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the District.

ARTICLE IV

SERIES 2023A INSTALLMENT PAYMENTS

Section 4.1 Purchase Price.

(a) The Purchase Price to be paid by the District hereunder to the Authority is the sum of the principal amount of the District's obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the installment payments to be made by the District hereunder is set forth in Exhibit B hereto.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.2 and Exhibit B hereto, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder.

Section 4.2 Series 2023A Installment Payments. The District shall, subject to its rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2023A Installment Payment Dates as set forth in Exhibit B hereto.

Each Series 2023A Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2023A Installment Payments if paid in accordance with their terms.

The obligation of the District to make the Series 2023A Installment Payments is absolute and unconditional, and until such time as all of the Series 2023A Installment Payments have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any Series 2023A Installment Payments required to be made by it under this section when due, whether or not the Water System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Section 4.3 Additional Payments. In addition to the Series 2023A Installment Payments, the District shall pay all reasonable compensation to the Trustee for all services rendered under the Indenture of Trust and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture of Trust.

ARTICLE V

SECURITY

Section 5.1 Pledge of Water Revenues. All Water Revenues and all amounts on deposit in the Water Revenue Fund and the Rate Stabilization Fund are hereby irrevocably pledged to the payment of the Series 2023A Installment Payments as provided herein, and the Water Revenues shall not be used for any other purpose while any of the Series 2023A Installment Payments remain unpaid; provided that out of the Water Revenues and amounts on deposit in the Water Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted herein including the parity claim of any Bonds or Contracts. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on and security interest in the Water Revenues and the Water Revenue Fund and all amounts on deposit therein as permitted herein and subject to the application of Water Revenues in accordance with the terms hereof.

Section 5.2 Allocation of Water Revenues. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Water Revenues shall be received by the District in trust and shall be deposited when and as received in the “Water Revenue Fund” which fund the District has previously established and agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments, Contracts or Bonds remain unpaid. Moneys in the Water Revenue Fund shall be used and applied by the District as provided in this Installment Purchase Agreement.

The District shall, from the moneys in the Water 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 Water Revenue Fund shall be set aside by the District at the following times in the following respective special funds in the following order of priority and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section:

(a) **Bond Payment Fund.** On or before each Series 2023A Installment Payment Date, the District shall, from the moneys in the Water Revenue Fund, transfer to the Trustee for deposit in the Bond Payment Fund a sum equal to the Series 2023A Installment Payment coming due on such Series 2023A Installment Payment Date. The District shall also, from the moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service or payments in accordance with the provisions of any Contract, Bond, resolution or indenture relating thereto.

No deposit need be made in the Bond Payment Fund as Series 2023A Installment Payments if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2023A Installment Payment due and payable on the next succeeding Series 2023A Installment Payment Date.

All money in the Bond Payment Fund shall be used and withdrawn by the Trustee in accordance with the Indenture of Trust.

(b) Reserve Fund. On or before each payment date required pursuant to the provisions of any Contract or Bond, or any resolution or indenture related thereto, the District shall, from the remaining moneys in the Water Revenue Fund, thereafter, without preference of priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee for deposit to the Reserve Fund and to applicable trustee for deposit to any reserve fund or account for Bonds or Contracts the amount, if any, needed to increase the balance in such fund or account to the amount required to be deposited therein and to pay any Policy Costs then due.

(c) Subordinate Obligations. On or before the payment of principal or interest is due with respect to any Subordinate Obligations, the District shall from moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without discrimination or preference, payment on such Subordinate Obligations, in accordance with the provisions of such Subordinate Obligations.

(d) Surplus. On the last day of each month, moneys on deposit in the Water Revenue Fund not required to make any of the payments required above may be expended by the District at any time for any purpose permitted by law, including but not limited to the deposit of amounts in the Rate Stabilization Fund in accordance with Section 5.5.

Section 5.3 Additional Contracts and Bonds. The District may at any time execute any Contract or issue any Bonds, as the case may be, payable from Net Water Revenues on a parity with the Installment Payments in accordance herewith; provided there shall be on file with the District either:

(a) A Certificate of the District demonstrating that, during the last audited Fiscal Year or any consecutive twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Net Water Revenues were at least equal to 110% of Maximum Annual Debt Service and one hundred percent (100%) of any Policy Costs, including for purposes of said calculation the Contracts proposed to be executed or the Bonds proposed to be issued and excluding any Contracts or Bonds to be defeased with the proceeds of the Contracts or Bonds to be executed; provided, that for the purpose of providing this Certificate, the District may adjust the foregoing Net Water Revenues to reflect:

(1) An allowance for Net Water Revenues that would have been derived from each new connection to the Water System that, during all or any part of such Fiscal Year or twelve (12) calendar month period, was not in existence, in an amount equal to the estimated additional Net Water Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or twelve (12) calendar month period, and

(2) An allowance for Net Water Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which, during all or any part of such Fiscal Year or twelve (12) calendar month period, was not in effect, in an amount equal to the estimated additional Net Water Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of such Fiscal Year or twelve (12) calendar month period; or

(b) A Certificate of the District or an Engineer's Report demonstrating that the estimated Net Water Revenues for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Contracts proposed to be executed, or the Bonds proposed to be issued (i) is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Contracts proposed to be executed, or the Bonds proposed to be issued, is executed or issued, or (ii) the date on which substantially all projects financed with the Contracts proposed to be executed, or the Bonds proposed to be issued, plus all projects financed with all existing Contracts and Bonds are expected to commence operations, will be at least equal to 110% of the Maximum Annual Debt Service and one hundred percent (100%) of any Policy Costs for such period; provided, that for the purpose of this section the foregoing estimated Net Water Revenues may be adjusted to reflect:

(1) An allowance for Net Water Revenues that are estimated to be derived from any increase in the rates, fees and charges for Water Service in effect and being charged or from any increase in the rates, fees and charges for Water Service that are expected to be charged, and

(2) An allowance for Net Water Revenues that are estimated to be derived from customers of the Water System anticipated to be served by the additions, betterments or improvements to the Water System to be financed by the Contracts proposed to be executed, or the Bonds proposed to be issued, together with any additional Contracts and Bonds expected to be executed or issued during such five (5) year period.

(c) No event of default, or event which with the passage of time would constitute an event of default, shall exist hereunder.

Notwithstanding the foregoing provisions, the District may issue bonds and contracts the payment of which are subordinate to Bonds and Contracts and which are subordinate to the payment by the District of the Installment Payments without meeting the test provided in this Section 5.3.

Notwithstanding the foregoing provisions, the District may issue refunding Bonds and Contracts for the purpose of refunding any Bond or Contract without complying with the parity requirements set forth in (a) and (b) above; provided that the Debt Service payable by the District for each Fiscal Year with respect to such refunding Contracts or Bonds is less than or equal to 105% of the Debt Service for each corresponding Fiscal Year for such Contracts or Bonds being refunded.

Notwithstanding satisfaction of the other conditions to the execution of any Contract or the issuance of Bonds set forth in this Section 5.3, no such execution or issuance may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such Event of Default shall be cured upon such execution or issuance.

Upon the defeasance in full of the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement, the 2018 Installment Purchase Agreement, the 2020 Installment Purchase Agreement, the 2021 Installment Purchase Agreement, the 2021A Installment Purchase Agreement and the District's 2020 Water Revenue Refunding Bonds (Federally Taxable), this Section 5.3 shall read as follows:

The District may at any time execute any Contract or issue any Bonds, as the case may be, payable from Net Water Revenues on a parity with the Installment Payments in accordance herewith; provided there shall be on file with the District either:

(a) The Net Water Revenues for the last audited Fiscal Year of the District, or for 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 Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year or other twelve month period;

(b) The Net Water Revenues for the last audited Fiscal Year of the District, or for 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, including adjustments to give effect as of the first day of such Fiscal Year or other twelve month period, to increases or decreases in rates and charges with respect, or applicable, to the Water System 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 Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period; and

(c) The estimated Net Water Revenues for the then current Fiscal Year and for each Fiscal Year thereafter, including (after giving effect to the completion of all such uncompleted improvements to the Water System) an allowance for estimated Net Water Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed and prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the Manager on file with the District, shall produce a sum equal to at least one hundred ten percent (110%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted improvements to the Water System within such Fiscal Years.

(d) For purposes of this Section 5.03, the amount of Net Water Revenues may be increased by Budgeted Transfers (measured as of the last day of the immediately preceding Fiscal Year), such amount to be no greater than twenty-five percent (25%) of Debt Service payable in the applicable Fiscal Year.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than 110% of the Debt Service which would have been payable in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Section 5.4 Investments. All moneys held by the District in the Water 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. All investment earnings on amounts in the Rate Stabilization Fund shall be transferred to the Water Revenue Fund upon receipt thereof. With regards to funds held by the Trustee, the District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants 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 Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Section 5.5 Rate Stabilization Fund. The District has previously established a special fund designated as the “Rate Stabilization Fund” to be held by the District in trust and the District agrees and covenants to maintain and to hold such fund separate and apart from other funds so long as any Series 2023A Installment Payments remain unpaid. Money transferred by the District from the Water Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.2(d) shall be held in the Rate Stabilization Fund and applied in accordance with the terms hereof.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Revenue Fund for application in accordance with Section 5.2 hereof or, in the event that all or a portion of the Series 2023A Installment Payments are discharged in accordance with Article IX hereof, transfer all or any portion of such amounts for application in accordance with said Article.

Section 5.6 Payment of Insurer Costs. The District shall pay any reimbursements due to the Insurer under Section 5.05(b) of the Indenture of Trust to the extent that the Authority fails to pay any such costs and such amounts are payable from and secured by a lien on and pledge of the Water Revenues on a parity with other Bonds and Contracts. In addition, the District shall pay to the Insurer any Policy Costs due to the Insurer under Section 5.04 of the Indenture of Trust. In order to secure the District’s payment obligations with respect to Policy Costs, there is hereby granted and perfected in favor of the Insurer a security interest in the Water Revenues and the Water Revenue Fund subordinate to the pledge created hereunder and with respect to all other Bonds and Contracts.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.1 Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Series 2023A Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of

God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture of Trust required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this Installment Purchase Agreement and the Indenture of Trust that, subject to Section 10.6 hereunder, each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the purchase of and payment for the Project by the District pursuant to, and in accordance with, and as authorized under the Law.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

Section 6.2 Against Encumbrances. The District will not make any pledge of or place any lien on Water Revenues or the moneys in the Water Revenue Fund or the Rate Stabilization Fund except as provided herein. The District may at any time, or from time to time, issue or enter into Subordinate Obligations or other evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Water Revenues or any moneys in the Water Revenue Fund and the Rate Stabilization 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 6.3 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 Water Revenues for the payment of the Series 2023A Installment Payments, or which would otherwise impair the rights of the Authority hereunder or 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 Series 2023A Installment Payments and if the proceeds of such sale are deposited in the Water 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 6.4 Against Competitive Facilities. The District will not, to the extent permitted by law, 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 potable water system competitive with the Water System.

Section 6.5 Tax Covenants. Notwithstanding any other provision of this Installment Purchase Agreement, absent an opinion of Special Counsel that the exclusion from gross income of

interest on the 2023A Bonds will not be adversely affected for federal income tax purposes, the District and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income on the 2023A Bonds and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District and the Authority will not take or omit to take any action or make any use of the proceeds of the 2023A Bonds or of any other moneys or property which would cause the 2023A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The District and the Authority will make no use of the proceeds of the 2023A Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the 2023A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District and the Authority will make no use of the proceeds of the 2023A Bonds or take or omit to take any action that would cause the 2023A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District and the Authority will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2023A Bonds pursuant to Section 103(a) of the Code.

(e) Hedge Bonds. The District and the Authority will make no use of the proceeds of the 2023A Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2023A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District and the Authority take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2023A Bonds for federal income tax purposes.

(f) Miscellaneous. The District and the Authority will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed for the 2023A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the District from issuing Bonds or executing and delivering Contracts, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

Section 6.6 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 6.7 Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Water Revenues

or the funds or accounts created hereunder or under the Indenture of Trust or on any funds in the hands of the District pledged to pay the Series 2023A Installment Payments or to the Owners prior or superior to the lien of the Series 2023A Installment Payments or which might impair the security of the Series 2023A Installment Payments.

Section 6.8 Compliance with Contracts. 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 contracts for the use of the Water System and all other contracts affecting or involving the Water System, to the extent that the District is a party thereto.

Section 6.9 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 portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds may, at the option of the District, be applied in part to the prepayment of Series 2023A Installment Payments as provided in Section 7.1 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 Series 2023A Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the Series 2023A Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the prepayment of Series 2023A Installment Payments as provided in Section 7.1 and to the retirement of such Bonds and Contracts.

(b) The District will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, 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.

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

Section 6.10 Accounting Records; Financial Statements and Other Reports.

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

(b) The District will prepare and file with the Authority and the Trustee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending December 31, 2023) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with the report of a certified public accountant thereon. The Trustee shall not be responsible for reviewing such financial statements.

(c) As long as there are any outstanding financial obligations of the District (in excess of \$100,000), the District will notify the Authority and the Trustee within 10 days following the date of any event that has the potential to have a material impact on the financial condition of the District.

Section 6.11 Protection of Security and Rights of the Authority. The District will preserve and protect the security hereof and the rights of the Authority to the Series 2023A Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.12 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 Water 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 6.13 Amount of Rates and Charges. The District, to the fullest extent permitted by law, shall fix, prescribe and collect Water Revenues for Water Service which will be at least sufficient to yield during each Fiscal Year Net Water Revenues equal to one hundred ten percent (110%) of Debt Service and one hundred percent (100%) of Policy Costs. The District may make adjustments from time to time in such Water Revenues and may make such classification thereof as it deems necessary, but shall not reduce the Water Revenues then in effect unless the Net Water

Revenues from such reduced Water Revenues will at all times be sufficient to meet the requirements of this section.

Section 6.14 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 6.15 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) If (1) the District files with the Authority and the Trustee a certificate showing (i) the estimated loss of annual Net Water 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 Water Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the District, on the basis of such certificate filed with the Authority and the Trustee, determines that the estimated additional annual Net Water Revenues will sufficiently offset the estimated loss of annual Net Water 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 held by the District and shall be treated as Water Revenues.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the prepayment of Series 2023A Installment Payments as provided in Section 7.1 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 components of the Series 2023A Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.16 Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

Section 6.17 Enforcement of Contracts. So long as any of the 2023A Bonds are outstanding, 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 which contracts provide for water to be supplied to the District which will reduce the supply of water thereunder (except as provided therein) if such rescission or amendment would in any manner impair or adversely affect the rights of the owners from time to time of the 2023A Bonds.

Section 6.18 Superior Additional Obligations. The District shall not execute any Contracts or issue any Bonds, as the case may be, that are payable from or secured by a pledge of and

lien on Water Revenues and any money in the Water Revenue Fund superior to the pledge securing the Series 2023A Installment Payments.

Section 6.19 Continuing Disclosure. The District 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 2023A Bonds. Notwithstanding any other provision of this Installment Purchase Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default.

Section 6.20 Payments in Connection with the State Water Supply Contract. The District shall apply to the payments due for any Fiscal Year under that certain Water Supply Contract, by and between the District and the State of California Department of Water Resources, as amended, all amounts the District collects through the ad valorem assessment levied to pay such amounts.

Section 6.21 Provision of Information to the Insurer. So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the Insurer shall be provided with the following information by the District:

(a) Annual audited financial statements within 270 days after the end of the District's Fiscal Year (together with a certification of the District that it is not aware of any default or Event of Default under this Installment Purchase Agreement), and the District's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(b) Notice of the commencement of any proceeding by or against the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law;

(c) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to this Installment Purchase Agreement or any supplement thereto or amendment thereof; and

(d) All information furnished pursuant to the Continuing Disclosure Certificate shall also be provided to the Insurer, simultaneously with the filing of the Continuing Disclosure Certificate with any electronic repository.

ARTICLE VII

PREPAYMENT OF SERIES 2023A INSTALLMENT PAYMENTS

Section 7.1 Prepayment.

(a) The District may or shall, as the case may be, prepay from the Net Proceeds as provided in Sections 6.9 and 6.15 herein on any date all or any part of the unpaid Series 2023A Installment Payments at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment.

(b) The District may prepay the Series 2023A Installment Payments, as a whole or in part, in the order of payment date as its directs, on the date and at the prepayment price

(expressed as a percentage of the principal amount of the 2023A Bonds to be prepaid) plus accrued interest thereon to the date of prepayment, as set forth in Section 4.01(a) of the Indenture of Trust.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority and the Trustee) and the requirements of Article IX hereof shall have been satisfied.

Section 7.2 Method of Prepayment. Before making any prepayment pursuant to Section 7.1, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay or a determination to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given unless a shorter period is agreed to by the Trustee in its sole discretion.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1 Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made by the District in the due and punctual payment of any Series 2023A Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(2) if default shall be made by the District in the performance of any of the agreements or covenants required herein or in connection with any Contract or Bond to be performed by it, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Authority;

(3) if 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 if 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; or

(4) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms;

then and in each and every such case upon the occurrence of such Event of Default specified in clauses (3) and (4) above, without any notice to the District, the Authority shall, with the written approval of the Insurer (which shall be required only so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), declare the entire principal amount of the unpaid Series 2023A Installment Payments and the accrued interest thereon shall be

immediately due and payable and for any other Event of Default the Authority may, with the written approval of the Insurer (which shall be required only so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), by notice in writing to the District declare the entire principal amount of the unpaid Series 2023A Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2023A Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the District shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Series 2023A Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2023A Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Series 2023A Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority, if appropriate, or provision deemed by the Authority, if appropriate, to be adequate shall have been made therefor, then and in every such case the Authority, if appropriate, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2 Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Water Revenues thereafter received by the District shall be applied in the following order --

First, to the payment of the fees, costs and expenses of the Trustee, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel and any outstanding fees and expenses of the Trustee, and then to the payment of the fees, costs and expenses of the Authority, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel;

Second, to the payment of the Operation and Maintenance Costs;

Third, to the payment of the entire principal amount of the unpaid Series 2023A Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2023A Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms; and

Fourth, to the payment of Subordinate Obligations in accordance with the terms thereof.

Section 8.3 Other Remedies of the Authority. The Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the

District or any such director, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

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

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the Project, the Water System or other assets of the District and no default hereunder shall result in the loss of the Project, the Water System, or other assets of the District.

Section 8.4 Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Series 2023A Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Water Revenues, the Water Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by the Act or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the District and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law. To the extent that this Installment Purchase Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Installment Purchase Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1 Discharge of Obligations. When

(a) all or any portion of the Series 2023A Installment Payments shall have become due and payable in accordance herewith or a written notice of the District to prepay all or any portion of the Series 2023A Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Series 2023A Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2023A Installment Payments, sufficient moneys and non-callable Defeasance Securities, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Series 2023A Installment Payments to their respective Series 2023A Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee, then and in that event, the right, title and interest of the Authority herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2023A Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the District to have such Defeasance Securities applied to the payment of such Series 2023A Installment Payments).

In such event, upon request of the District the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the District, after payment of all amounts due the Trustee pursuant to the Indenture of Trust as an overpayment of Series 2023A Installment Payments, all such Defeasance Securities held by it pursuant hereto other than such Defeasance Securities, as are required for the payment or prepayment of the Series 2023A Installment Payments, which Defeasance Securities shall continue to be held by the Trustee in trust for the payment of the Series 2023A Installment Payments and shall be applied by the Trustee to the payment of the Series 2023A Installment Payments of the District.

Notwithstanding anything to the contrary set forth herein or in the Indenture of Trust, the right, title and interest of the Authority herein and the obligations of the District hereunder shall not cease, terminate, become void or be discharged and satisfied until all amounts due and owing to the Insurer in connection with the Insurance Policy and the Reserve Surety Policy shall have been paid.

ARTICLE X

MISCELLANEOUS

Section 10.1 Liability of District Limited. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other

than the Net Water Revenues and the other funds provided herein and in the Indenture of Trust for the payment of the Series 2023A Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the Series 2023A Installment Payments is a special obligation of the District payable solely from such Net Water Revenues and other funds described herein, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 10.2 Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District or the Authority and its assigns any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Authority shall be for the sole and exclusive benefit of the other party.

Section 10.3 Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.4 Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Series 2023A Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.5 Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to this Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.6 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Authority hereby declare that they would have executed this Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.7 Assignment. This Installment Purchase Agreement and all right, title and interest of the Authority hereunder, including its right to receive the Series 2023A Installment Payments, shall be assigned by the Authority to the Trustee, pursuant to the Indenture of Trust with the express consent of the District, which is hereby granted.

Section 10.8 Net Contract. This Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof of the Series 2023A Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.9 California Law. THIS INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.10 Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District: Palmdale Water District
2029 E. Avenue Q
Palmdale, California 93550
Attention: General Manager

If to the Authority: Palmdale Water District Public Financing Authority
2029 E. Avenue Q
Palmdale, California 93550
Attention: Executive Director

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

If to the Insurer: _____

Attention: _____
Re: Policy No. _____

Section 10.11 Effective Date. This Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Authority and the Trustee).

Section 10.12 Execution in Counterparts. This Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 10.13 Indemnification of Authority and the Trustee. The District hereby agrees to indemnify and hold harmless the Authority and the Trustee and their directors, officers and employees if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of their duties hereunder and under the Indenture of Trust; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Indenture of Trust by the Authority or the Trustee.

Section 10.14 Insurer as Third Party Beneficiary. The Insurer is intended as a third party beneficiary to this Installment Purchase Agreement.

Section 10.15 No Impairment of Insurer's Rights. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the 2023A Bonds which is provided from the District may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Section 10.16 Insurer Considerations. The rights granted to the Insurer under this Installment Purchase Agreement or any supplement thereto or amendment thereof to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

Section 10.17 Amendments Permitted.

(a) This Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2023A Bonds and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding when the written consent of the Insurer, which shall be required only so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the stated maturities of the 2023A Bonds, or reduce the rate of interest represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each 2023A Bond so affected; or (2) reduce the aforesaid percentage of Owners of 2023A Bonds whose consent is required for the execution of any amendment or modification of this Installment Purchase Agreement; or (3) modify any of the rights or obligations of the Trustee or the Authority without its written consent thereto.

(b) This Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2023A Bonds may also be modified or amended without the consent of the Owners of the 2023A Bonds to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority or the District contained in this Installment Purchase Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Authority or the District, and which shall not adversely affect the interests of the Owners of the 2023A Bonds;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Installment Purchase Agreement or in regard to questions arising under this Installment Purchase Agreement, as the Authority or the District may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the 2023A Bonds;

(3) to make such other amendments or modifications as may be in the best interests of the Owners of the 2023A Bonds; and

(4) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the 2023A Bonds from gross income for federal income tax purposes under the Code or the exemption of such interest from State personal income taxes.

No amendment may modify any of the rights or obligations of the Trustee without the written consent of the Trustee thereto.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Installment Purchase Agreement by their officers thereunto duly authorized as of the day and year first written above.

PALMDALE WATER DISTRICT

By: _____
General Manager

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT A

DESCRIPTION OF THE PROJECT

The Project comprises the following described improvements to the District's Water System:

[To Come]

The District may substitute other improvements to the Water System for all or a portion of the improvements listed above.

EXHIBIT B
PURCHASE PRICE

1. The principal amount of the installment payments to be made by the District hereunder is \$_____.

2. The installment payments of principal and interest are payable in the amounts and on the Series 2023A Installment Payment Dates as follows:

<i>Series 2023A Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
<i>Tenth Day Prior To:</i>		\$	\$

<i>Series 2023A Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
--	---	--	--------------

Tenth Day Prior To:

TOTAL	\$ _____	\$ _____	\$ _____
--------------	----------	----------	----------

EXHIBIT C

FORM OF SUBSTITUTION CERTIFICATE

Palmdale Water District Public Financing Authority
2029 E. Avenue Q
Palmdale, California 93550
Attention: Executive Director

The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 400
Los Angeles, California 90071
Attention: Corporate Trust Department

The undersigned General Manager of the Palmdale Water District (the “District”) hereby states pursuant to Section 3.1 of the Installment Purchase Agreement, dated as of _____ 1, 2023, by and between Palmdale Water District Public Financing Authority and the District (the “Installment Purchase Agreement”) that each component of the Project (as defined in the Installment Purchase Agreement) described in the Exhibit 1 attached hereto, with an estimated cost set forth in Exhibit 1, will be replaced by the corresponding improvement described in the Exhibit 1 with an estimated cost set forth in Exhibit 1.

Dated: _____, _____

General Manager

EXHIBIT 1

ASSIGNMENT AGREEMENT

by and between

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

and

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

Dated as of _____ 1, 2023

Relating To

\$ _____
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2023A

ASSIGNMENT AGREEMENT

This Assignment Agreement is made and entered into as of _____ 1, 2023 by and between the PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “Authority”) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”);

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Assignment.

The Authority, for good and valuable consideration in hand received, does hereby sell, assign and transfer to the Trustee without recourse, for the benefit of the owners of the bonds (the “Bonds”), to be issued by the Authority pursuant to the Indenture of Trust dated as of _____ 1, 2023, by and between the Authority and the Trustee (the “Indenture”), all of its rights, title and interest in the Installment Purchase Agreement dated as of _____ 1, 2023, by and between the Palmdale Water District (the “District”) and the Authority (the “Installment Purchase Agreement”) including the right to receive all installment payments from the District under the Installment Purchase Agreement (but not including the right to be indemnified pursuant to, or receive notices under, the Installment Purchase Agreement), together with any and all of the other rights of the Authority under the Installment Purchase Agreement as may be necessary to enforce payment of such installment payments when due or otherwise to protect the interests of the owners of the Bonds. The assignment herein is absolute and presently effective.

Section 2. Acceptance.

The Trustee hereby accepts the foregoing assignment for the purpose of securing the right assigned to it to receive all such installment payments from the District under the Installment Purchase Agreement and the other rights assigned to it, subject to the terms and provisions of the Indenture, and all such installment payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Indenture.

Section 3. Conditions.

This Assignment Agreement shall confer no rights or impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement by their officers thereunto duly authorized as of the day and year first written above.

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
Executive Director

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

By: _____
Authorized Officer

INDENTURE OF TRUST

by and between

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

and

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY,
as Issuer**

Relating to

**\$ _____
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2023A**

Dated as of _____ 1, 2023

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS; EQUAL SECURITY

Section 1.01	Definitions	1
Section 1.02	Equal Security	10

ARTICLE II CONDITIONS AND TERMS OF BONDS

Section 2.01	Preparation of Bonds	10
Section 2.02	Denominations; Dating	10
Section 2.03	Payment of Principal and Interest with Respect to Bonds	10
Section 2.04	Form of Bonds	11
Section 2.05	Execution of Bonds.....	11
Section 2.06	Transfer of Bonds	12
Section 2.07	Exchange of Bonds	12
Section 2.08	Bond Registration Books	13
Section 2.09	Bonds Mutilated, Lost, Destroyed or Stolen.....	13
Section 2.10	Book-Entry System.....	13

ARTICLE III PROCEEDS OF BONDS

Section 3.01	Delivery of Bonds.....	16
Section 3.02	Establishment of Funds and Accounts and Deposit and Use of Proceeds of Bonds	16
Section 3.03	Construction Fund.....	17

ARTICLE IV REDEMPTION OF BONDS

Section 4.01	Redemption of Bonds	17
Section 4.02	Selection of Bonds To Be Redeemed	19
Section 4.03	Notice of Redemption.....	20
Section 4.04	Partial Redemption of Bonds.....	20
Section 4.05	Effect of Redemption of Bonds	20

ARTICLE V ASSIGNMENT AND APPLICATION OF REVENUES

Section 5.01	Assignment of Revenues	21
Section 5.02	Deposit of Revenues	21
Section 5.03	Rebate Fund	22
Section 5.04	Reserve Fund	24
Section 5.05	Claims Upon the Insurance Policy and Payments by and to the Insurer	25
Section 5.06	Payments by the Insurer as a Result of Nonpayment	27

ARTICLE VI COVENANTS

Section 6.01	Compliance With Indenture and Installment Purchase Agreement	28
--------------	--	----

TABLE OF CONTENTS
(continued)

	Page
Section 6.02	Tax Covenants 28
Section 6.03	Prosecution and Defense of Suits 29
Section 6.04	Accounting Records and Statements 29
Section 6.05	Further Assurances 29

ARTICLE VII
DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01	Events of Default 29
Section 7.02	Remedies Upon Event of Default 30
Section 7.03	Application of Revenues and Other Funds After Default..... 31
Section 7.04	Trustee to Represent Bond Owners 31
Section 7.05	Bond Owners' Direction of Proceedings 32
Section 7.06	Limitation on Bond Owners' Right to Sue 32
Section 7.07	Absolute Obligation of Issuer 33
Section 7.08	Termination of Proceedings 33
Section 7.09	Right of Mandamus; Remedies Not Exclusive 33
Section 7.10	No Waiver of Default 33
Section 7.11	Insurer Rights..... 33

ARTICLE VIII
THE TRUSTEE

Section 8.01	Employment and Duties of the Trustee 34
Section 8.02	Removal and Resignation of the Trustee 34
Section 8.03	Compensation and Indemnification of the Trustee 35
Section 8.04	Protection of the Trustee..... 35
Section 8.05	Notice to Insurer by Trustee 38

ARTICLE IX
AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

Section 9.01	Amendment or Supplement by Consent of Owners 38
Section 9.02	Disqualified Bonds 40
Section 9.03	Endorsement or Replacement of Bonds After Amendment or Supplement 40
Section 9.04	Amendment or Supplement by Mutual Consent..... 40
Section 9.05	Effect of Insurance Policy..... 40

ARTICLE X
DEFEASANCE

Section 10.01	Discharge of Bonds and Indenture..... 40
Section 10.02	Unclaimed Money..... 43

ARTICLE XI
MISCELLANEOUS

Section 11.01	Benefits of this Indenture Limited to Parties and District 44
Section 11.02	Successor Deemed Included in All References to Predecessor 44
Section 11.03	Execution of Documents by Owners 44

TABLE OF CONTENTS
(continued)

	Page
Section 11.04	Waiver of Personal Liability 44
Section 11.05	Content of Certificates 45
Section 11.06	Notice by Mail 45
Section 11.07	Funds..... 45
Section 11.08	Deposits and Investments 45
Section 11.09	Article and Section Headings, Gender and References 46
Section 11.10	Partial Invalidity 47
Section 11.11	California Law 47
Section 11.12	Insurer as Third Party Beneficiary 47
Section 11.13	No Impairment of Insurer’s Rights 47
Section 11.14	Insurer Consideration..... 47
Section 11.15	Amounts Paid by Insurer 47
Section 11.16	Notices 47
Section 11.17	Execution in Counterparts 48
Section 11.18	Effective Date 48
Signatures S-1
EXHIBIT A	FORM OF BOND..... A-1

INDENTURE OF TRUST

This INDENTURE OF TRUST (the “Indenture”), dated as of _____ 1, 2023, by and between THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws to the United States of America (the “Trustee”) and PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “Issuer”);

WITNESSETH

WHEREAS, the Issuer desires to assign without recourse all its rights to receive the Revenues (as hereinafter defined) scheduled to be paid by the Palmdale Water District (“the District”) to the Issuer under and pursuant to the Installment Purchase Agreement (as hereinafter defined); and

WHEREAS, in consideration of such assignment and the execution and entering into of this Indenture, the Trustee has agreed to authenticate and deliver bonds (the “Bonds”) in an aggregate principal amount equal to \$ _____; and

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

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01 Definitions. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to such terms in the Installment Purchase Agreement. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Bonds and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Annual Debt Service. The term “Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

Authority. The term “Authority” means the Palmdale Water District Public Financing Authority.

Authorized Denominations. The term “Authorized Denominations” means \$5,000 or any integral multiple thereof.

Bond Payment Fund. The term “Bond Payment Fund” means the fund by that name established pursuant to Section 3.02.

Bond Year. The term “Bond Year” means each twelve month period extending from October 2 in one calendar year to October 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Closing Date of the Bonds to October 1, 2023, both dates inclusive.

Bonds. The term “Bonds” means the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2023A in the aggregate principal amount of \$ _____.

Book-Entry System. The term “Book-Entry System” means the system maintained by the Securities Depository and described in Section 2.10 hereof.

Business Day. The term “Business Day” means any day other than: (i) a Saturday or Sunday; or (ii) a day on which banks located in the city in which the Corporate Trust Office of the Trustee is located are authorized or required to remain closed; or (iii) a day on which The New York Stock Exchange is closed.

Certificate; Request. The term “Certificate” or “Request” means: (i) with respect to the District, an instrument in writing signed on behalf of the District by the General Manager, or by any other officer of the District duly authorized by the District’s Board of Directors to sign documents on its behalf with respect to the matters referred to therein; and (ii) with respect to the Issuer, by the Executive Director of the Issuer, or by any other officer of the Issuer duly authorized by the Board of Directors of the Issuer to sign documents on its behalf with respect to the matters referred to therein.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations in effect with respect thereto.

Construction Fund. The term “Construction Fund” means the fund by that name established in accordance with Section 3.03 hereof.

Defeasance Securities. The term “Defeasance Securities” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, (4) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (5) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, and (6) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation

under the Insurance Policy or the Reserve Surety Policy), securities eligible for “AAA” defeasance under then existing criteria of S&P.

Delivery Date. The term “Delivery Date” means the date of the delivery of the Bonds to the initial purchaser thereof.

Depository. The term “Depository” means DTC or another recognized securities depository selected by the Issuer which maintains a book-entry system for the Bonds.

District. The term “District” means the Palmdale Water District.

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

Escrow Fund. The term “Escrow Fund” means the escrow fund established under that certain Escrow Agreement, dated as of August 1, 2023, by and among the District, the Authority and The Bank of New York Mellon Trust Company, N.A., pursuant to which the 2013 Installment Payments will be defeased.

Event of Default. The term “Event of Default” means an Event of Default as defined in Section 8.1 of the Installment Purchase Agreement.

Executive Director. The term “Executive Director” means the Executive Director of the Issuer.

Favorable Opinion of Special Counsel. The term “Favorable Opinion of Special Counsel” means an opinion of Special Counsel addressed to the District and the Trustee to the effect that an action proposed to be taken is not prohibited by the laws of the State or this Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Fitch. The term “Fitch” means Fitch Ratings, Inc., its successors and assigns.

General Manager. The term “General Manager” means the General Manager of the District.

Hazardous Substances. The term “Hazardous Substances” means any hazardous substances, wastes, pollutants or contaminants now or hereafter included in such (or any similar) term under any federal, state, or local statute, code, ordinance or regulation now in effect or hereafter enacted or amended.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any form of certified public accountants appointed by the Issuer which is independent pursuant to the Statement on Auditing Standards No. I of the American Institute of Certified Public Accountants.

Indenture. The term “Indenture” means this Indenture of Trust executed and entered into as of _____ 1, 2023 by and between the Trustee and the Issuer, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

Information Services. The term “Information Services” means national information services that disseminate securities redemption notices; 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.

Installment Payment Date. The term “Installment Payment Date” means each date on which Installment Payments are scheduled to be paid by the District pursuant to the Installment Purchase Agreement.

Installment Payments. The term “Installment Payments” means the installment payments payable by the District pursuant to the Installment Purchase Agreement and in the amounts and at the times set forth in the Installment Purchase Agreement.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of _____ 1, 2023, by and between the District and the Issuer, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

Insurance Policy. The term “Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

Insurer. The term “Insurer” means _____, or any successor thereto or assignee thereof.

Interest Account. The term “Interest Account” means the account by that name established pursuant to Section 3.02 hereof.

Insurer Administrative Costs. The term “Insurer Administrative Costs” has the meaning given to such term in Section 5.05 hereof.

Insurer Reimbursement Amounts. The term “Insurer Reimbursement Amounts” has the meaning given to such term in Section 5.05 hereof.

Interest Payment Date. The term “Interest Payment Date” means April 1 and October 1 of each year, commencing _____.

Issuance Costs. The term “Issuance Costs” means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Installment Purchase Agreement, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, legal fees and expenses of counsel with the issuance and delivery of the Bonds, the initial fees and expenses of the Trustee and its counsel and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the District.

Issuance Costs Fund. The term “Issuance Costs Fund” means the fund by that name established pursuant to Section 3.02 hereof.

Issuer. The term “Issuer” means the Palmdale Water District Public Financing Authority, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California.

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

Maturity Date. The term “Maturity Date” means October 1 of each year in which principal payments are due on the Bonds commencing in ____ and ending in ____.

Maximum Annual Debt Service. The term “Maximum Annual Debt Service” means, as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency (other than S&P) designated by the Issuer by written notice to the Trustee.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.02) all Bonds except: (i) Bonds canceled by the Trustee or delivered to the Trustee for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 10.01; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

Owner. The term “Owner” or “Bond Owner” or “Owner of Bonds” or any similar term, when used with respect to the Bonds, means any person who shall be the registered owner of any Outstanding Bond.

Participant. The term “Participant” means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

Person. The term “Person” means a natural person or any legal entity.

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 Issuer (provided that the Trustee shall be entitled to rely upon any investment directions from the Issuer as conclusive certification to the Trustee that the investments described therein comply with any policy guidelines promulgated by the Issuer and are both suitable and 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 that (i) the Trustee or an affiliate of the Trustee receives and retains a fee for services provided to the fund, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this 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) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code §6509.7. To be eligible for purchase, the pool must meet the requirements of CGC §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 Issuer and the Trustee.

Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to rating subcategories. The Trustee shall have no responsibility to

monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments, or the responsibility to validate Permitted Investments the ratings of Permitted Investments prior to the initial purchase.

Policy Payments. The term “Policy Payments” has the meaning given to such term in Section 5.05 hereof.

Principal Account. The term “Principal Account” means the account by that name established pursuant to Section 3.02 hereof.

Project. The term “Project” has the meaning given in the Installment Purchase Agreement.

Project Costs. The term “Project Costs” means all costs of acquiring, constructing and installing the Project, including, but not limited to:

(a) all costs which the Issuer or the District shall be required to pay to a seller or any other person under the terms of any contract or contracts for the purchase of the Project;

(b) all costs which the Issuer or the District shall be required to pay a contractor or any other person for the acquisition, construction and installation of the Project;

(c) obligations of the Issuer or the District incurred for services (including obligations payable to the Issuer or the District for actual out-of-pocket expenses of the Issuer or the District) in connection with the acquisition, construction and installation of the Project, including reimbursement to the Issuer or the District for all advances and payments made in connection with the Project prior to or after delivery of the Bonds;

(d) the actual out-of-pocket costs of the Issuer or the District for surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project, including administrative expenses relating to the acquisition, construction and installation of the Project; and

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

Rebate Fund. The term “Rebate Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.03 hereof.

Record Date. The term “Record Date” means the fifteenth (15th) day of the month immediately preceding an Interest Payment Date whether or not such day is a Business Day.

Redemption Account. The term “Redemption Account” means the account by that name established pursuant to Section 3.02.

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

Reserve Fund. The term “Reserve Fund” means the fund by that name established pursuant to Section 5.04.

Reserve Requirement. The term “Reserve Requirement” means, with respect to the Bonds, as of any date of calculation, an amount not to exceed the lesser of (i) Maximum Annual Debt Service, (ii) 125% of average Annual Debt Service, or (iii) 10% of the initial principal amount of such Bonds. Notwithstanding the foregoing, in no event shall the Reserve Requirement exceed \$ _____, the initial Reserve Requirement.

Reserve Surety Policy. The term “Reserve Surety Policy” means the municipal bond debt service reserve insurance policy issued by the Insurer and deposited in the Reserve Fund to satisfy the Reserve Requirement.

Revenues. The term “Revenues” means amounts received by the Issuer pursuant to or with respect to the Installment Purchase Agreement and all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder.

Securities Depository. The term “Securities Depository” means DTC or, if applicable, any successor securities depository appointed pursuant to Section 2.10 hereof.

Sinking Account. The term “Sinking Account” means the account established pursuant to section 5.02 hereof.

Special Counsel. The term “Special Counsel” means any attorney at law or firm of attorneys selected by the District, of nationally-recognized standing in matters pertaining to the federal tax exemption of interest with respect to obligations of states and political subdivisions.

S&P. The term “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services, LLC business, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s) designated by the Issuer by written notice to the Trustee.

State. The term “State” means the State of California.

Statement of the Issuer or the District. The term “Statement of the Issuer or the District” means a statement signed by or on behalf of: (i) the Issuer by its President, Treasurer or Executive Director; or (ii) the District by the President, General Manager or the Finance Director or by any two persons (whether or not officers of the District) who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the date of initial issuance of the Bonds, concerning certain matters pertaining to the use and investment of proceeds of the Bonds executed by and delivered to the District on the date of execution and delivery of the Bonds, including any and all exhibits attached thereto.

Term Bonds. The term “Term Bonds” means the Bonds maturing on October 1, _____, October 1, _____ and October 1, _____ which are subject to mandatory sinking fund redemption.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association, duly organized and existing under and by virtue of the laws of the United States, having a principal corporate trust office in Los Angeles, California, or its successor as Trustee hereunder.

Written Consent of the Issuer or the District; Written Order of the Issuer or the District; Written Request of the Issuer or the District; Written Requisition of the Issuer or the District. The terms “Written Consent of the Issuer or the District,” “Written Order of the Issuer or the District,” “Written Request of the Issuer or the District,” and “Written Requisition of the Issuer or the District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of: (i) the Issuer by its President, Treasurer, Executive Director; or (ii) the District by the President, General Manager or its Finance Director 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 Equal Security. In consideration of the acceptance of the Bonds by the Owners, this Indenture shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal and redemption premiums, if any, on the Bonds, subject to the agreements, conditions, covenants and terms contained herein, including without limitation the terms included in Article VIII hereof; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Bonds over any other Bonds by reason of the number or date thereof or the time of sale, execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

CONDITIONS AND TERMS OF BONDS

Section 2.01 Preparation of Bonds. The Trustee is hereby authorized to authenticate and deliver the Bonds, to be denominated “Palmdale Water District Public Financing Authority Revenue Refunding Bonds, Series 2023A” in an aggregate principal amount of \$_____.

Section 2.02 Denominations; Dating. The Bonds shall be prepared in the form of fully registered Bonds in Authorized Denominations. The Bonds shall be dated the initial date of delivery thereof.

Section 2.03 Payment of Principal and Interest with Respect to Bonds.

(a) Bonds. Bonds shall become payable on October 1 of each of the years in the principal amounts, and shall bear interest at the rates, set forth below:

<i>Maturity Date (October 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
	\$	%

(b) Amounts Due. Principal or Redemption Price due on the Bonds at maturity or redemption thereof, whichever is earlier, shall, to the extent of the aggregate principal amount stated upon the Bonds, represent the sum of those portions of the Installment Payments designated as principal coming due on the Installment Payment Dates immediately preceding the Payment Dates in each year.

(c) Payment of Interest. Interest on the Bonds shall be paid on each Interest Payment Date and redemption date and on the Maturity Date therefor. However, if, as shown by the records of the Trustee, interest on the Bonds is in default, Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Bonds so surrendered or, if no interest has been paid on the Bonds, from the date thereof.

(d) Interest Accrual. Interest on the Bonds shall accrue on the basis of a 360-day year based on twelve 30-day months.

(e) Method and Place of Payment. The principal of and premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Such amounts shall be paid by the Trustee on the applicable payment dates by check mailed by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the applicable Record Date in the registration books kept by the Trustee, except that in the case of such an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment shall be made, such payments shall be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in the preceding sentence shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a Book-Entry System is in effect, interest may be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money.

Section 2.04 Form of Bonds. The Bonds and the form of assignment to appear thereon shall be in substantially the form set forth in Exhibit A hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

Section 2.05 Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Issuer with the manual or facsimile signature of its President, attested by the manual or

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

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

Section 2.06 Transfer of Bonds. In the event that the Bonds are no longer held in book-entry form, the following transfer and exchange provisions shall apply. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall authenticate and deliver a new Bond or Bonds of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of Bonds the Trustee shall cancel and destroy the Bonds it has received.

Prior to any transfer of the 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 Internal Revenue 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 2.07 Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary Bonds for definitive Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Bonds, the Trustee shall cancel and destroy the Bonds it has received.

The Trustee shall not be required to register the exchange or transfer pursuant to Section 2.06 hereof, of any Bond (i) within 15 days preceding selection of Bonds for redemption or (ii) selected for redemption.

Section 2.08 Bond Registration Books. The Trustee will keep or cause to be kept, at the Principal Corporate Trust Office of the Trustee, sufficient books for the registration and transfer of the Bonds, which shall upon reasonable prior notice and at all reasonable times be open to inspection by the Issuer or the District; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

The person in whose name any 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 of and Redemption Price represented by such Bond 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 Bond to the extent of the sum or sums so paid.

Section 2.09 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee shall authenticate and deliver a new Bond of like series, tenor, maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated.

Every mutilated Bond so surrendered to the Trustee shall be canceled by it and destroyed. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given indemnifying the Trustee, the Issuer and the District, the Trustee, at the expense of the Bond Owner, shall authenticate and deliver a new Bond of like series, tenor and maturity, and numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond executed under this Section and of the expenses which may be incurred by the Trustee under this Section. Any Bond executed and authenticated under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. The Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for a 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 Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.10 Book-Entry System.

(a) Bonds shall be issued in fully registered form and shall be initially issued registered in the name of "Cede & Co.," as nominee of The Depository Trust Company in accordance with this Section 2.10. The Bonds shall be evidenced by one bond maturing on each stated Maturity Date of Bonds. The Bonds may be assigned by the Trustee a distinctive number or letter and number, and a record of the same shall be maintained by the Trustee. Registered

ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Section 2.10.

With respect to book-entry Bonds, the Issuer 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 Bonds. Without limiting the immediately preceding sentence, the Issuer 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 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond registration books, of any notice with respect to book-entry Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be redeemed in the event the Issuer redeems the Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal, premium, if any, or interest with respect to book-entry Bonds. The Issuer and the Trustee may treat and consider the person in whose name each book-entry Bond is registered in the Bond registration books as the absolute Owner of such book-entry Bond for the purpose of payment of principal, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the Bond register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest evidenced and borne by the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond registration books, shall receive a Bond evidencing the obligation to make payments of principal, premium, if any, and interest evidenced and borne by the Bonds. Upon delivery by the Depository to the Owner 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 this Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry Bonds for the Depository's book-entry system, the Issuer and the Trustee shall execute and deliver to the Depository, if required by the Depository, a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Issuer or the Trustee any obligation whatsoever with respect to persons having interests in such book-entry Bonds other than the Owners, as shown on the 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 Issuer and the Trustee shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify Book-Entry 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 Bonds; or (ii) the Issuer determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Bonds or the Issuer, then the Issuer will discontinue the book-entry system with the Depository. If the Issuer determines to replace the Depository with another qualified securities depository, the Issuer shall prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturity dates of such book-entry Bonds, registered in the name of such successor or substitute

qualified securities depository or its Nominee as provided in subsection (e) hereof. If the Issuer fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such Bond register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Sections 2.06 and 2.07 hereof.

(d) Payments To Depository. Notwithstanding any other provision of this Indenture to the contrary, so long as all Outstanding Bonds are held in book-entry form and registered in the name of the Nominee, all payments with respect to principal, redemption premium, if any, and interest on such Bond and all notices with respect to such 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 Bonds to Substitute Depository.

(i) The Bonds shall be initially authenticated and delivered as provided in Section 2.01 hereof. Registered ownership of such 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 subsection (“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: (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (ii) a determination by the Issuer 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: (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or; (ii) a determination by the Issuer 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 clause (A) or clause (B) of subsection (i) of this subsection, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Issuer to the Trustee designating the Substitute Depository, a single new Bond, which the Issuer shall prepare or cause to be prepared, shall be authenticated and delivered for each series and maturity of 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 Issuer. In the case of any transfer pursuant to clause (C) of subsection (i) of this subsection, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Issuer to the Trustee, new Bonds, which the Issuer shall prepare or cause to be prepared, shall be authenticated and delivered in such denominations and registered in the names of such persons as are requested in such written request of the Issuer, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the Issuer.

(iii) In the case of a partial redemption or an advance refunding of any 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 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.

(iv) the Issuer and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Issuer; and the Issuer and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the Issuer 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 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Bonds.

ARTICLE III

PROCEEDS OF BONDS

Section 3.01 Delivery of Bonds. The Trustee is hereby authorized to authenticate and deliver the Bonds to the purchaser thereof upon receipt of a Request of the Issuer and upon receipt of the proceeds of sale thereof.

Section 3.02 Establishment of Funds and Accounts and Deposit and Use of Proceeds of Bonds.

(a) There is hereby established with the Trustee the following funds and accounts for the Bonds: the Issuance Costs Fund, the Rebate Fund, the Reserve Fund, the Construction Fund and the Bond Payment Fund. Within the Bond Payment Fund there is hereby established an Interest Account, a Principal Account, a Sinking Account and a Redemption Account.

(b) Upon the receipt of payment for the Bonds on the Delivery Date, the Issuer will cause the Trustee to apply the proceeds of sale thereof as follows:

(i) Deposit into the Issuance Costs Fund, \$ _____, constituting an amount sufficient to pay Issuance Costs with respect to the Bonds;

(ii) Deposit into the Construction Fund, \$ _____, constituting an amount sufficient to pay the Project Costs; and

(iii) Deposit into the Escrow Fund, \$ _____, constituting the amount necessary to defease the 2013 Installment Payments.

(c) Issuance Costs shall be paid from amounts on deposit in the Issuance Costs Fund. The Trustee shall make such payments in the amounts, at the times, in the manner, and on the other terms and conditions set forth herein. No such payment shall be made until the Trustee shall have received a Written Requisition of the District or the Issuer. Each such Written Requisition 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. Upon the earlier of the written direction from the Issuer to the effect that all Issuance Costs have been paid or on the six month anniversary of the initial issuance of the Bonds, the Trustee shall transfer any remaining money in the Issuance Costs Fund to the Bond Payment Fund and the Issuance Costs Fund shall thereafter be closed.

(d) The Reserve Surety Policy shall be deposited into the Reserve Fund to satisfy the Reserve Requirement.

The Trustee may establish temporary funds or accounts to facilitate such transfers.

Section 3.03 Construction Fund.

(a) The Trustee shall establish and maintain a separate fund designated the "Construction Fund." On the Closing Date there shall be deposited in the Construction Fund the amount specified in Section 3.02(b)(ii) hereof.

(b) The moneys in the Construction Fund shall be used and withdrawn by the Trustee from time to time to pay the Project Costs upon submission of a Written Requisition of the District stating (i) the Person to whom payment is to be made, (ii) the amount to be paid with payment instructions, (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes a Project Cost and is a proper charge against the Construction Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Construction Fund, in each case together with a statement or invoice for each amount requested thereunder. Each such Written Requisition 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.

(c) Upon the filing of a Written Request of the District stating that the Project has been completed and that all Project Costs have been paid, the Trustee shall transfer and apply the amount, if any, remaining in the Construction Fund (x) if such amount is equal to or greater than \$50,000, to the Redemption Account to be used to optionally redeem Bonds, provided that the amount so transferred shall not exceed the amount required to provide for the redemption of all Outstanding Bonds, and (y) if such amount is less than \$50,000, to the Bond Payment Fund to be used for the purposes thereof. Notwithstanding the foregoing, unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Construction Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01 Redemption of Bonds.

(a) Optional Redemption. The Bonds are subject to optional redemption, in whole or in part, on any date on and after October 1, ____, from such maturities as are selected by the District in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date, in integral multiples of \$5,000,

from any source of available funds provided to the Authority by or at the discretion of the District, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

(b) Mandatory Sinking Fund Redemption. The Term Bonds maturing on October 1, ____ (the “____ Term Bonds”), shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, ____ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the ____ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of Section 4.01(a) and (c) of this Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the ____ Term Bonds so redeemed by reducing each such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice (which shall include a revised sinking fund schedule) filed by the District with the Trustee:

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

*

* Final Maturity.

The Term Bonds maturing on October 1, ____ (the “____ Term Bonds”), shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, ____ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the ____ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of Section 4.01(a) and (c) of this Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the ____ Term Bonds so redeemed by reducing each such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice (which shall include a revised sinking fund schedule) filed by the District with the Trustee:

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

*

* Final Maturity.

The Term Bonds maturing on October 1, ____ (the “____ Term Bonds”), shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, ____ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the ____ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of Section 4.01(a) and (c) of this Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the ____ Term Bonds so redeemed by reducing each such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice (which shall include a revised sinking fund schedule) filed by the District with the Trustee:

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

*

* Final Maturity.

In lieu of such mandatory sinking fund redemption, the Trustee may apply amounts in the Principal Account to the purchase of Term Bonds at public or private sale for cancellation, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Term Bonds, as set forth in a Written Request of the District and subsequently cancelled or surrendered to the Trustee for cancellation. The par amount of any Term Bonds so purchased by the District in any twelve-month period immediately preceding any September 15 will be credited towards and will reduce the principal amount of such Term Bonds required to be redeemed on the succeeding October 1.

(c) Extraordinary Redemption. The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request of the District provided to the Trustee at least 45 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) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, Sections 6.9 and 6.15 of the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Section 4.02 Selection of Bonds To Be Redeemed. Whenever provision is made herein for the redemption of less than all of the Bonds, (other than mandatory sinking fund redemption of Term Bonds) the Trustee will select the Bonds to be redeemed from all Bonds or such given portion of the Bonds not previously called for redemption, among maturities as directed by the District, and approved in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under

the Insurance Policy or the Reserve Surety Policy), and within each maturity in a manner selected by the Trustee. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.

Section 4.03 Notice of Redemption. The District shall notify the Trustee at least forty-five (45) days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to any optional or extraordinary redemption date for Bonds pursuant to Section 4.01. Notice of redemption shall be mailed by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date, (i) if the Bonds are no longer held under the Book-Entry System, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail, (ii) to the Securities Depository electronically or by such method as is acceptable to the Securities Depository, and (iii) to the Municipal Securities Rulemaking Board. Notice of redemption shall be given in the form and in accordance with the terms of this Indenture.

Each such notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all of any such maturity is to be redeemed, the serial numbers of the Bonds of such maturity to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 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 said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, together with interest accrued with respect thereto 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 ceases to accrue, and will require that such Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the delivery of such notice will not affect the validity of the redemption of any Bond.

With respect to any notice of optional redemption of Bonds, such notice shall 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 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 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 and that the redemption shall not take place.

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

Section 4.05 Effect of Redemption of Bonds. If notice of redemption having been duly given pursuant to Section 4.03 hereof, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for

redemption is held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, such Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Neither the failure to receive any notice nor any defect therein shall not affect the sufficiency of the proceedings of redemption.

All Bonds redeemed pursuant to the provisions hereof shall be cancelled upon surrender thereof and destroyed.

ARTICLE V

ASSIGNMENT AND APPLICATION OF REVENUES

Section 5.01 Assignment of Revenues. The Issuer, for good and valuable consideration, does hereby unconditionally grant, transfer and assign to the Trustee without recourse all its rights to receive the Revenues and enforce the Installment Purchase Agreement upon an event of default thereunder for the benefit of the Owners of the Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the Bonds under the terms of this Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the District contained in the Installment Purchase Agreement, and the Trustee hereby accepts such assignment.

All Installment Payments shall be paid directly by the District to the Trustee, and all Installment Payments received by the Trustee shall be held in trust by the Trustee under the terms hereof for the benefit of the District until deposited in the funds provided in Section 5.02, whereupon such money shall be held in trust in such funds by the Trustee for the benefit of the Owners.

Section 5.02 Deposit of Revenues. The Trustee shall deposit all Revenues paid to it into the Bond Payment Fund and shall transfer such funds to the Interest Account, Principal Account, Sinking Account and the Redemption Account in the manner and at the times hereinafter provided. The Bond Payment Fund (and all accounts contained therein) shall be maintained so long as any Bonds are Outstanding. All moneys in the Bond Payment Fund (and the accounts contained therein) shall be disbursed only for the purposes and uses hereinafter authorized; provided, that any money in such fund or accounts not required to pay the principal and interest and redemption premiums, if any, on the Bonds shall on the Business Day immediately following each Interest Payment Date, be transferred first to the Reserve Fund to replenish amounts therein to the Reserve Requirement and/or to reimburse the Insurer for amounts owed, and second to the Issuer to be used for any lawful purpose of the Issuer.

(a) **Interest Account.** On or prior to each Interest Payment Date, the Trustee shall transfer to the Interest Account that amount of money representing the portion of the Revenues constituting the interest becoming due and payable on such Interest Payment Date. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds on their respective Interest Payment Dates.

(b) Principal Account. On or prior to each maturity date (commencing on October 1, ____), the Trustee shall transfer to the Principal Account that amount of money representing the portion of the Revenues constituting the principal becoming due and payable on such maturity date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds on their respective maturities. Notwithstanding the foregoing, no principal payments shall be made on the Term Bonds from the Principal Account.

(c) Sinking Account. On or prior to each date on which the Term Bonds are subject to mandatory sinking fund redemption, the Trustee shall transfer to the Sinking Account that amount of money representing the portion of the Revenues constituting the principal becoming due and payable on such date. All money in the Sinking Account shall be used and withdrawn by the Trustee solely for the purpose of paying the mandatory sinking fund redemption of the Term Bonds as they become due and payable.

(d) Redemption Account. Any prepayments paid to the Trustee pursuant to the Installment Purchase Agreement, including any Net Proceeds and other amounts to effect an optional redemption of Bonds, shall immediately be transferred to the Redemption Account. All money in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and redemption premiums, if any, on the Bonds to be redeemed on their respective optional or mandatory redemption dates.

Section 5.03 Rebate Fund.

(a) Establishment. The Trustee shall establish a separate fund designated the “Rebate Fund.” Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Issuer shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the Tax Certificate for the Bonds, unless and to the extent that the Issuer delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied.

(i) Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the Issuer shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The Issuer shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of the fifth Bond Year, upon the written request of the Issuer, an amount shall be deposited to the Rebate Fund by the Trustee from any Revenues legally available for such purpose (as specified by the Issuer in the aforesaid written Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written Request of the Issuer, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Bond Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Request of the Issuer, to the United States Treasury, out of amounts in the Rebate Fund,

(A) not later than 60 days after the end of (X) the fifth Bond Year, and (Y) each applicable fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the date of such payment and any income attributable to the Rebatable Arbitrage determined to be due and payable, computed in accordance with Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Issuer shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by an Internal Revenue Service Form 8038-T prepared by the Issuer, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment in full of the Bonds and the payments described in Subsection (a)(iii) above being made may be withdrawn by the Issuer upon written direction of the Issuer to the Trustee and utilized in any manner by the Issuer.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the Bonds.

(d) Recordkeeping. The Issuer shall retain records of all determinations made hereunder until six years after the complete retirement of the Bonds.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of this Indenture regarding calculation and payment of rebate if it follows the directions of the Issuer and it shall have no independent duty to review or such calculations or enforce compliance with such rebate requirements.

Section 5.04 Reserve Fund. The Trustee shall establish and hold in trust the Reserve Fund. The District shall cause the Reserve Surety Policy to be deposited in the Reserve Fund and the Trustee shall draw upon the Reserve Surety Policy in accordance with this Section 5.04.

As long as the Reserve Surety Policy shall be in full force and effect, and the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the Issuer and Trustee agree to comply with the following provisions:

(a) In the event and to the extent that moneys on deposit in the Bond Payment Fund, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Reserve Surety Policy, are insufficient to pay the amount of principal and interest coming due, then upon the later of: (i) one (1) Business Day after receipt by the Insurer of a Notice of Nonpayment (as such terms are defined in the Reserve Surety Policy), duly executed by the Trustee certifying that payment due under this Indenture has not been made to the Trustee; or (ii) the Interest Payment Date, the Insurer will make a deposit of funds in an account with the Trustee or its successor sufficient for the payment to the Trustee of amounts which are then due to the Trustee under this Indenture up to but not in excess of the Policy Limit, as defined in the Reserve Surety Policy; provided, however, that in the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Reserve Surety Policy, includes amounts available under a letter of credit, insurance policy, reserve surety policy or other such funding instrument (the “Additional Funding Instrument”), draws on the Reserve Surety Policy and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency.

(b) The Issuer shall repay any draws under the Reserve Surety Policy and pay all related reasonable expenses incurred by the Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate. “Late Payment Rate” means the lesser of (i) the greater of (A) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in the City of New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank, N.A.) plus 5%, and (B) the then applicable highest rate of interest on the Bonds, and (ii) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(c) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, “Policy Costs”) shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

(d) Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Surety Policy will be increased by a like amount, subject to the terms of the Reserve Surety Policy.

(e) All cash and investments in the Reserve Fund shall be transferred to the Bond Payment Fund for payment of the principal of and interest on the Bonds before any drawing may be

made on the Reserve Surety Policy or any other credit facility credited to the Reserve Fund in lieu of cash (“Credit Facility”). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Surety Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(f) If the Issuer or the District shall fail to pay any Policy Costs in accordance with the requirements of Section 5.04(b) hereof, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Indenture other than: (i) acceleration of the maturity of the payments of principal of and interest on the Bonds; or (ii) remedies which would adversely affect Owners of the Bonds.

(g) The Trustee shall ascertain the necessity for a claim upon the Reserve Surety Policy in accordance with the provisions of Section 5.04(a) hereof and provide notice to the Insurer in accordance with the terms of the Reserve Surety Policy at least five (5) Business Days prior to an Interest Payment Date. Where deposits are required to be made by the District with the Trustee to the Bond Payment Fund for the payment of principal of and interest on the Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the Insurer of any failure of the Issuer to make timely payment in full of such deposits within two Business Days of the date due.

So long as the Reserve Surety Policy is in full force and effect and the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, future deposits of a surety in the Reserve Fund shall require the prior written consent of the Insurer. Notwithstanding anything to the contrary, amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service on the Bonds.

Section 5.05 Claims Upon the Insurance Policy and Payments by and to the Insurer.

(a) Payment Procedure Under the Insurance Policy. In the event that principal and/or interest on the Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the Bonds shall remain outstanding for all purposes, shall not cease, terminate, become void or be discharged or otherwise satisfied and not be considered paid by the Issuer, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

In the event that on the second (2nd) Business Days prior to the related scheduled interest payment date or principal payment date (“Payment Date”), the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on such Payment Date, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the Payment Date, the Trustee shall so notify the Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Bonds has been required to disgorge payments of principal of or interest on the Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Bonds as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Bonds, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holders of the Bonds in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the Bonds, (ii) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the Insurance Policy payment from the Insurer with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the "Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the Bonds, and (iv) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holder of the Bonds in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Bonds surrendered to the Insurer, (ii) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the Insurance Policy payment therefor from the Insurer, (iii) segregate all such payments in the Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Bonds, and (iv) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on the Bonds paid by the Insurer, whether by virtue of mandatory sinking fund prepayment, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the District on any Bond or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the Issuer with respect to such Bonds, and the Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. This Indenture shall not be discharged or terminated unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Issuer and the Trustee agree for the benefit of the Insurer that:

(iii) They recognize that to the extent the Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Bonds, the Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer, with interest thereon, as provided and solely from the sources stated in this Indenture and the Bonds; and

(iv) They will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Bonds to holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(b) Additional Payments. The Issuer agrees unconditionally that it will pay or reimburse the Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of this Agreement ("Insurer Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence. The Insurer agrees that failure to pay any Insurer Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full.

Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy ("Policy Payment"); and (ii) interest on such Policy Payments from the date paid by the Insurer until payment thereof in full by the Issuer, payable to the Insurer at the Late Payment Rate per annum (collectively, "Insurer Reimbursement Amounts") compounded semi-annually. The Issuer hereby covenants and agrees that the Insurer Reimbursement Amounts are payable from Revenues and secured by a lien on and pledge of Revenues and other collateral pledged to the Bonds on a parity with debt service due on the Bonds.

Section 5.06 Payments by the Insurer as a Result of Nonpayment. The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

ARTICLE VI

COVENANTS

Section 6.01 Compliance With Indenture and Installment Purchase Agreement. The Issuer will not execute and the Trustee will not authenticate or deliver any Bonds in any manner other than in accordance with the provisions hereof; and the Issuer will not suffer or permit any default by it to occur hereunder, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it.

The Issuer will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed and performed by the Issuer, and will enforce such agreements against the other party thereto in accordance with their terms.

Section 6.02 Tax Covenants. Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on Bonds will not be adversely affected for federal income tax purposes, the Issuer covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Issuer will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The Issuer will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guaranty. The Issuer will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The Issuer will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(e) Hedge Bonds. The Issuer will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Issuer takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

(f) Miscellaneous. The Issuer will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Issuer in connection with the issuance of the Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 6.03 Prosecution and Defense of Suits. The Issuer will defend against every action, suit or other proceeding at any time brought against the Trustee, the Issuer or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the Installment Payments or involving any rights or obligations of the Trustee, the Issuer or any Owner hereunder; provided, that the Trustee, the Issuer or any Owner at its, his or her election may appear in and defend any such action, suit or other proceeding. The Issuer will indemnify and hold harmless the Trustee and the Owners against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and will indemnify and hold harmless the Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to enforce their rights hereunder or under the Bonds; provided that such litigation shall be concluded favorably to such Owners' contentions therein.

Section 6.04 Accounting Records and Statements. The Trustee shall keep proper books of record and account in accordance with corporate trust industry standards in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of the Revenues and the proceeds of the Bonds. Such records shall be open to inspection by the Issuer and by any Owner at any reasonable time during regular business hours on reasonable notice. Not later than the fifteenth (15th) day of each month, commencing on the first calendar month after the initial issuance of the Bonds, and continuing so long as any Bonds are Outstanding, the Trustee will furnish to the Issuer and to the District a complete statement covering the receipts, deposits and disbursements of the funds held by the Trustee hereunder for the preceding month; provided that the Trustee shall not be 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.

Section 6.05 Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the Issuer will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them hereby.

ARTICLE VII

DEFAULT AND LIMITATIONS OF LIABILITY

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

(a) Default by the Issuer in the due and punctual payment of the principal of any Bonds 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 Issuer in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall

have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or by the Owners of a majority in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of the Issuer the default stated in the notice can be corrected, but not within such thirty (30) day period and corrective action is instituted by the Issuer, within such thirty (30) day period and diligently pursued in good faith until the default is corrected such failure shall not become an Event of Default; provided, however, if such default shall have been continued for ninety (90) days without being cured then such default shall become an Event of Default unless the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy) shall have consented to extend the time for such corrective action.

(d) The Issuer 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 if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Issuer 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 Issuer or of the whole or any substantial part of its property.

(e) A default by the Issuer under the Installment Purchase Agreement.

Section 7.02 Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, with the written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), which consent shall be at the sole discretion of the Insurer, upon written notice to the Issuer, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

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

Anything in this Indenture to the contrary notwithstanding, so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, upon the occurrence and continuance of a default or an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the

benefit of the holders of the Bonds under this Indenture. No default or Event of Default may be waived without the Insurer's written consent.

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

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

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of two hundred (200) basis points above the interest rate per annum on such overdue principal, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Issuer or rebate only after the payment of past due and current debt service on the Bonds, any other amounts due and owing the Insurer hereunder or under the Installment Purchase Agreement and amounts required to restore the Reserve Fund to the Reserve Requirement.

Section 7.04 Trustee to Represent Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds or this Indenture and applicable provisions of any other 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 Bond Owners, the Trustee in its discretion may, and, subject to Section 7.11 hereof, upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity,

either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds or this Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

Notwithstanding anything contained herein, the Trustee shall have no security interest in or mortgage on the Project, any property of the District or other assets or property thereof and no default hereunder shall result in the loss of the Project, any property of the District or other assets or property thereof.

Section 7.05 Bond Owners' Direction of Proceedings. Subject to Section 7.11 hereof, anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of 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 this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

Section 7.06 Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Purchase Agreement or any other applicable law with respect to such 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 a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; (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 Bonds then Outstanding; and (f) such suit, action or proceeding is instituted subject to this Indenture.

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

enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

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

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

Section 7.09 Right of Mandamus; Remedies Not Exclusive. Following an Event of Default, subject to Section 7.11 hereof, the Owners may, by mandamus or other suit or proceeding of law or in equity enforce any and all rights of the Owners hereunder. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.10 No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; provided, however, that every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 7.11 Insurer Rights. The Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy) shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to this Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of this Indenture and each Bond, each Bond Owner appoints the Insurer as their agent and attorney-in-fact and agrees that the Insurer may at any time during the continuation of any proceeding by or against the Authority under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each

Bond Owner delegates and assigns to the Insurer, to the fullest extent permitted by law, the rights of each Bond Owner in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Bond Owner for the Insurer's benefit, and agrees to cooperate with the Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment. Remedies granted to the Bond Owners shall expressly include mandamus.

ARTICLE VIII

THE TRUSTEE

Section 8.01 Employment and Duties of the Trustee. The Issuer hereby appoints and employs the Trustee to receive, deposit and disburse the Revenues as provided herein, to prepare, authenticate, deliver, transfer, exchange and cancel the Bonds as provided herein, to pay the interest and principal and redemption premiums, if any, on the Bonds to the Owners thereof as provided herein, and to perform the other obligations contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering this Indenture, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth herein, and no implied obligations shall be read herein against the Trustee.

Section 8.02 Removal and Resignation of the Trustee. The Issuer may, by giving thirty days prior notice of such negotiation to the Issuer and the District, as long as an Event of Default, or an event which with notice or passage of time or both would become an Event of Default, has not occurred and is continuing, and shall, after any breach by the Trustee hereunder, remove the Trustee initially a party hereto and any successor thereto by giving written notice of such removal to the Trustee, and by giving notice by mail in accordance with Section 11.06 of such removal to all Owners of Bonds, and the Trustee initially a party hereto and any successor thereto may at any time resign by giving written notice of such resignation to the Issuer and the District and by giving notice by mail in accordance with Section 11.06 of such resignation to all Owners of Bonds. Upon giving any such notice of removal or upon receiving any such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing; provided, that in the event the Issuer and the District do not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. No removal, resignation or termination of the Trustee shall take effect until a successor trustee, acceptable to the Insurer, shall be appointed. Any successor Trustee shall be a bank, national banking association with trust powers or trust company doing business and having a principal corporate trust office in the United States of America, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its bank holding company has) a combined capital, (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), unless the District consents to a lesser amount therefor, and shall be subject to supervision or examination by state or national authorities. If such bank, national 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 purposes of this section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal or resignation of a Trustee and appointment of a successor

Trustee shall become effective only upon the acceptance of the appointment by the successor Trustee.

Notwithstanding the foregoing, the Insurer shall receive prior written notice of any name change of the Trustee for the Bonds or the resignation or removal of the Trustee. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by the Insurer in writing. No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Insurer, shall be qualified and appointed.

Section 8.03 Compensation and Indemnification of the Trustee. The Issuer shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee reasonable compensation for its services and reimburse the Trustee for all its reasonable advances and expenditures hereunder, including, but not limited to, advances to and the reasonable fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations hereunder; provided, except as otherwise provided in Section 7.03 hereof, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established hereunder, although the Trustee may take whatever legal actions are available to it directly against the Issuer to recover such compensation or reimbursement. To the extent permitted by law, the Issuer does hereby assume liability for, and agree to defend, indemnify, protect, save and keep harmless, the Trustee and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers or employees or its successors and assigns in any way relating to or arising out of (i) the condition, management, maintenance or use of or from any work done in connection with the Water System by the District including, the use, storage, preserve, disposal or release of any Hazardous Substances in or about the Water System, (ii) any act of negligence of the District or of any of its agents, contractors, directors, employees, invitees, licensees or officers in connection with the Water System, (iii) the authorization of the payment to any costs or expenses of the acquisition and construction of the Project, or (iv) the exercise of any rights or obligations of the Trustee hereunder; provided, that no indemnification will be made for willful misconduct or negligence hereunder by the Trustee.

The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and the final payment or defeasance of the Bonds.

Section 8.04 Protection of the Trustee. The Trustee shall be protected and indemnified as stated herein by the Issuer and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, electronic mail, facsimile, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the District, before being

required to take any action under this Indenture with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Installment Purchase Agreement or of the assignment made to it herein of all rights to receive the Revenues under the Installment Purchase Agreement, or of the title or value of the Project, and shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof or have received written notice thereof at its corporate trust office in Los Angeles, California. All recitals, warranties or representations contained therein are statements of the District, and the Trustee assumes no responsibility for their correctness, and the Trustee shall not be accountable for the use or application by the District, or any other party, of any funds which the Trustee properly releases to the District or which the District may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties other than the Trustee of this Indenture, any Bond, or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in this Indenture), or with respect to any obligation of the Issuer or the District hereunder or for the sufficiency of any insurance on the Water System.

Whenever in the observance or performance of its rights and obligations hereunder or under the Bonds, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, the Trustee may request a Certificate of the District and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as it were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the District, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Issuer or the District as freely as if it were not the Trustee hereunder. The Trustee shall not be answerable for the exercise of any of its rights hereunder or for the performance of any of its obligations hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct or negligence.

No provision of this 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, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. 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 this 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 his or her own affairs.

The Trustee shall not be responsible for monitoring the compliance of the District and the Issuer with the covenants as set forth in Sections 5.03 and 6.02 hereof and Section 6.5 of the Installment Purchase Agreement and may conclusively rely on all written instructions and calculations of the District and the Issuer with respect thereto; provided, the Trustee shall promptly comply with all such written instructions as provided in Sections 5.03 and 6.02.

The Issuer shall not be deemed to be an agent of the Trustee and the Trustee shall not be liable for the acts or omissions of the Issuer in connection with the transactions contemplated hereby and by the Installment Purchase Agreement.

The Trustee shall have no responsibility 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 Bonds.

Whenever in the administration of the trusts imposed upon it by this 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 of the District, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, 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.

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 Issuer and 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 Issuer and District whenever a person is to be added or deleted from the listing. If the Issuer and District elect 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 Issuer and District understand 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 Issuer and District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Issuer and 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 Issuer and 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 such directions conflict or are inconsistent with a subsequent written instruction. The Issuer and District agree: (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 Issuer and 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.

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, affiliates, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term “force majeure” means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include, but not be limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Owners pursuant to the provisions of this Indenture unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

The Trustee shall have no duty to review, verify or analyze any financial statements furnished to it by the District, and shall hold such financial statements solely as a repository for the Owners. The Trustee shall not be deemed to have notice of any information contained therein or any default or Event of Default that may be disclosed therein in any manner.

Section 8.05 Notice to Insurer by Trustee. The Trustee shall notify the Insurer of any failure of the Issuer to provide notices, certificates and other information under the transaction documents of which the Trustee has actual or deemed knowledge. The Trustee shall provide the Insurer with all notices and other information received by the Trustee that the Issuer is obligated to provide to the holders of the Bonds or to the Trustee under this Indenture.

ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO THIS INDENTURE

Section 9.01 Amendment or Supplement by Consent of Owners. This Indenture and the rights and obligations of the Issuer, the District, Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount

of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02, are filed with the Trustee. So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the consent of the Insurer shall be required for any amendment or supplement which requires the written consent of the Owners. No such amendment or supplement shall: (1) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Issuer to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the Bond so affected; or (2) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

This Indenture and the rights and obligations of the Issuer, the District, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of approving Favorable Opinion of Special Counsel and only if, in the opinion of the Trustee (which opinion may be based upon a Favorable Opinion of Special Counsel or a Certificate of the District), such amendment or supplement is not materially adverse to the interests of the Owners, including, but not limited to, amendments or supplements and, only if in the case of any amendment that adversely affects the rights and interests of the Insurer, with the written consent of the Insurer, which shall be required only if the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Issuer or the District other agreements, conditions, covenants and terms thereafter to be observed or performed by the Issuer or the District, or to surrender any right reserved herein to or conferred herein on the Issuer or the District, and which in either case shall not adversely affect the interests of the Owners;

(b) to modify, amend or supplement this Indenture in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of this Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Issuer or the District may deem desirable or necessary, and which shall not adversely affect the interests of the Owners; and

(d) to make any modifications or changes necessary or appropriate in the Favorable Opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The Issuer shall give written notice of any amendment, or supplement to this Indenture, and the rights and obligations of the Issuer and the District and the Owners, the Trustee and the Insurer hereunder, to Fitch and S&P not less than fifteen (15) days prior to the execution thereof.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the

Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and complies with the terms hereof. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 9.02 Disqualified Bonds. Bonds known to the Trustee to be held for the account of the Issuer or the District (but excluding Bonds held in any pension or retirement fund of the Issuer or the District) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided herein, and shall not be entitled to consent to or take any other action provided herein, and the Trustee may adopt appropriate regulations to require each Owner, before his or her consent provided for herein shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this Section. Upon request of the Trustee, the Issuer and the District shall specify in a Certificate of the Issuer and the District those Bonds disqualified pursuant to this Section 9.02 and the Trustee may conclusively rely on such Certificate.

Section 9.03 Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Issuer and the District as to such action, and in that case, upon demand of the Owner of any Outstanding Bond and presentation of the Bond for such purpose at the corporate trust office of the Trustee in Los Angeles, California, a suitable notation as to such action shall be made on such Bond. If the Issuer and the District shall so determine, new Bonds so modified as in the opinion of the Issuer and the District shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged without cost to each Owner for Bonds then Outstanding at the corporate trust office of the Trustee in Los Angeles, California, upon surrender of such Outstanding Bonds. All Bonds surrendered to the Trustee pursuant to the provisions of this Section shall be canceled by the Trustee and shall not be redelivered.

Section 9.04 Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Owner from accepting any amendment or supplement as to the particular Bonds owned by him or her; provided, that due notation thereof is made on such Bonds.

Section 9.05 Effect of Insurance Policy. In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under this Indenture would adversely affect the security for the Bonds or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

ARTICLE X

DEFEASANCE

Section 10.01 Discharge of Bonds and Indenture.

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal and redemption premiums, if any, evidenced and represented thereby at the times and in the manner provided herein and therein, then

all agreements and covenants of the Issuer and the District to such Owners hereunder shall thereupon cease, terminate and become void and shall be completely discharged and satisfied.

(b) Any Outstanding Bonds shall be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if there shall be on deposit with the Trustee money held in trust for the benefit of the Owners of such Bonds which is sufficient to pay the interest and principal and redemption premiums, if any, on such Bonds payable on and prior to their maturities or their redemption date.

(c) Any Outstanding Bonds shall prior to their maturities be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if: (1) in case any of such Bonds are to be redeemed on any date prior to their maturities, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.06 to the Owners of such Bonds of the redemption of such Bonds on such redemption dates; (2) there shall have been deposited with the Trustee Defeasance Securities, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee at the same time, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the interest on such Bonds on and prior to the earlier of their maturities or their redemption dates, as the case may be, and the principal and redemption premiums, if any, on such Bonds; and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.06 to the Owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating their maturities or the redemption dates prior thereto upon which money is to be available for the payment of the interest and principal and redemption premiums, if any, on such Bonds.

To accomplish defeasance, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer (the "Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (the "Verification"); (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer); (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under this Indenture; and (iv) a certificate of discharge of the Trustee with respect to the Bonds. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, Trustee and Insurer. The Insurer shall be provided with final drafts of the above-reference documentation not less than three Business Days prior to the funding of the escrow. In addition, the Escrow Deposit Agreement shall provide that:

(i) Any substitution of securities following the execution and delivery of the Escrow Deposit Agreement shall require the delivery of a Verification, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Bonds is excludable) from gross income of the holders of the Bonds of the interest on the Bonds for federal income tax purposes and the prior written consent of the Insurer, which consent will not be unreasonably withheld.

(ii) The Issuer will not exercise any prior optional redemption of Bonds secured by the Escrow Deposit Agreement or any other redemption other than mandatory sinking

fund redemption unless (a) the right to make any such redemption has been expressly reserved in the Escrow Deposit Agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (b) as a condition to any such redemption there shall be provided to the Insurer a Verification as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(iii) The District shall not amend the Escrow Deposit Agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer.

Bonds shall be deemed “Outstanding” under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

(d) The Trustee shall, if so directed by the Issuer pursuant to a Request of the Issuer: (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their maturity date; or (ii) prior to the mailing of the notice of redemption referred to in clause (c) above with respect to any Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee with respect to such Bonds and redeem or sell Defeasance Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the Defeasance Securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the interest on those Bonds on and prior to their maturities or their redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on such Bonds, with respect to which such Defeasance Securities are being held by the Trustee on or prior to the redemption date or maturity date thereof; as the case may be. If, at any time: (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their maturity date; or (ii) prior to the mailing of the notice of redemption referred to in clause (c) with respect to any Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, the Issuer shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of Bonds to the Trustee shall be accompanied by directions from the Issuer to the Trustee in the form of a Request of the Issuer as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or redeem Bonds deemed paid in accordance with this Section 10.01. The directions given by the Issuer to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section 10.01 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section 10.01 on any date or dates prior to their maturity.

In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 10.01 the total amount of Defeasance Securities remaining on deposit with the Trustee under this Section 10.01 is in excess of the total amount which would have been required to be deposited with the Trustee on such date with respect to the remaining Bonds in order to satisfy subclause (2) of subsection (c) of this Section 10.01, the Trustee shall, if requested by the District pursuant to a request of the District, pay the amount of such excess to the

District free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Indenture; provided, however, before any such excess is transferred to the District, the District and the Trustee shall have received a report of an Independent Certified Public Accountant to the effect that the amount of moneys and the principal of and interest when due on the Defeasance Securities remaining on deposit with the Trustee after such amount is transferred to the District shall be sufficient to pay when due the interest on such Bonds on and prior to their maturities or their redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, of such Bonds.

Except as otherwise provided in this subsection (d) of this Section 10.01, neither Defeasance Securities deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the District as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under this Indenture, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the interest on the Bonds on and prior to their maturities or their redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on the Bonds and interest earned from such reinvestment shall be paid over to the District, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Indenture.

(e) After the payment of all interest and principal and redemption premiums, if any, of all Outstanding Bonds as provided in subsections (a) or (b) of this Section, and the payment of all fees and expenses of the Trustee, upon receipt of a Request of the District, the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the Issuer and the District and shall authenticate and deliver to the Issuer and the District all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of this Indenture, and the Trustee shall pay over or deliver to the District all money or investments held by it pursuant hereto which are not required for the payment of the interest and principal and redemption premiums, if any, evidenced and represented by such Bonds, which money and investments shall be used by the District for any lawful purpose.

This Indenture shall not be discharged until all Policy Costs, Insurer Reimbursement Amounts, Insurer Administrative Costs and other amounts owing to the Insurer with respect to the Reserve Surety Policy or the Insurance Policy shall have been paid in full. The Issuer's obligation to pay such amounts shall expressly survive payment in full of the payments of principal of and interest on the Bonds.

Section 10.02 Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal or redemption premium, if any, on any Bonds which remains unclaimed for two (2) years after the date when the payments on such Bonds have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal and redemption premiums, if any, on such Bonds have become payable, shall be repaid by the Trustee to the Issuer (without liability for

interest) as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Issuer for the payment of the interest and principal and redemption premiums, if any, on such Bonds; provided, that before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, give notice by mail in accordance with Section 11.06 to Owners of Bonds with respect to which moneys remain unclaimed that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Issuer.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Benefits of this Indenture Limited to Parties and District. Nothing contained herein, expressed or implied, is intended to confer upon, or to give or grant to, any person or entity other than the Issuer, the District, the Trustee, the Insurer and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the Issuer or the District shall be for the sole, exclusive benefit of the Trustee, the Insurer and the Owners. The District is a third party beneficiary of this Indenture.

Section 11.02 Successor Deemed Included in All References to Predecessor. Whenever either the Issuer, the District or the Trustee or any officer, director or employee thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Issuer, the District or the Trustee or such officer, director or employee, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Issuer, the District or the Trustee or any officer, director or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.03 Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he or she purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him or her the execution thereof; or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

Any declaration, acceptance, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Issuer or the District or the Trustee in good faith and in accordance therewith.

Section 11.04 Waiver of Personal Liability. No officer, director or employee of the District, the Issuer or the Trustee shall be individually or personally liable for the payment of the interest or principal or redemption premiums, if any, on the Bonds, but nothing contained herein shall relieve any officer, director or employee of the Issuer, the District or the Trustee from the

performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement or hereby.

Section 11.05 Content of Certificates. Every certificate with respect to compliance with any agreement, condition, covenant or term contained herein shall include: (a) a statement that the person or persons executing such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any certificate may be based, insofar as it relates to legal matters, upon a Favorable Opinion of Special Counsel unless the person or persons executing such certificate know that the Favorable Opinion of Special Counsel with respect to the matters upon which his, her or their certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Favorable Opinion of Special Counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the District, upon a representation by an officer or officers of the District unless the counsel executing such Favorable Opinion of Special Counsel knows that the representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 11.06 Notice by Mail. Any notice required to be given hereunder by mail to any Owners of Bonds shall be given by mailing a copy of such notice, first class postage redeemed, to the Owners of such Bonds at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 not less than fifteen (15) days nor more than thirty (30) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and neither failure to receive any such notice nor any immaterial defect contained therein shall affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

Section 11.07 Funds. Any fund required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. In addition to the funds and accounts required to be established hereunder, the Trustee may establish such other funds and accounts as it deems necessary or appropriate to perform its obligations.

Section 11.08 Deposits and Investments.

(a) Any money held by the Trustee in any of the funds provided herein shall be invested in one or more Permitted Investments in accordance with a Written Request of the Issuer or

the District filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of a Written Request of the Issuer or the District funds shall be held uninvested. Any such money shall be invested by the Trustee as directed by the Issuer or the District pursuant to a Written Request of the Issuer or the District in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder.

(b) The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may, for the purpose of any such deposit or investment, commingle any of the money held by them hereunder, and the Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by them under the terms of and in accordance with this Section. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The Issuer (and the District by its execution of the Installment Purchase Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish periodic cash transaction statements to the Issuer which include detail for all investment transactions made by the Trustee hereunder.

(c) Subject to Section 5.03 and subsection (d) of this Section, any interest or profits on such deposits and investments received by the Trustee shall be retained in the fund or account to which they relate and on or before April 1 and October 1 of each year shall be transferred first, if the Issuer so directs, to the Rebate Fund, and second, shall be transferred to the Interest Account of the Bond Payment Fund.

(d) Trustee shall deposit earnings on investments in the Bond Payment Fund to the Interest Account, Principal Account or Redemption Account of the Bond Payment Fund, to the extent money is needed therein to make the interest or principal payment or redemption premiums, if any, as the case may be, on such Interest Payment Date, maturity date, or Redemption Date.

Section 11.09 Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “hereof” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular article, section, subdivision or clause thereof.

Section 11.10 Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Issuer or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder and under all provisions of applicable law. The Trustee and the Issuer hereby declare that they would have executed and entered into this Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 11.11 California Law. THIS INDENTURE SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.12 Insurer as Third Party Beneficiary. The Insurer is intended as a third party beneficiary to this Indenture.

Section 11.13 No Impairment of Insurer's Rights. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Section 11.14 Insurer Consideration. The rights granted to the Insurer under this Indenture or any supplement thereto or amendment thereof to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

Section 11.15 Amounts Paid by Insurer. Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of this Indenture and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with this Indenture. This Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Section 11.16 Notices. All written notices to be given hereunder shall be given by first class mail, postage redeemed, to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

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

If to the Issuer: Palmdale Water District Public Financing Authority
2029 E. Avenue Q
Palmdale, California 93550
Attention: Executive Director

If to the District: Palmdale Water District
2029 E. Avenue Q
Palmdale, California 93550
Attention: General Manager

If to the Insurer: _____

Attention: _____
Re: Policy No. _____

The Trustee shall give notices to S&P and Fitch upon (i) redemption of all Outstanding Bonds, (ii) acceleration of amounts due with respect to the Bonds, (iii) amendments to this Indenture, or (iv) any defeasance of the Bonds.

Section 11.17 Execution in Counterparts. This Indenture may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 11.18 Effective Date. This Indenture shall become effective upon its execution and delivery.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Indenture by their officers hereunto duly authorized as of the day and year first above written.

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

By: _____
Authorized Officer

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT A

[FORM OF BOND]

No. _____

\$ _____

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2023A**

Interest Rate	Maturity Date	Dated Date	CUSIP
_____ %	October 1, 20__	_____, 2023	69674T__

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "Authority"), 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 (the "Record Date") 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 _____, in which event it shall bear interest from the Dated 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 each Interest Payment Date as set forth in the Indenture of Trust, dated as of _____ 1, 2023 (the "Indenture") relating to the Bonds, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Capitalized terms used herein and not defined herein have the meaning assigned thereto in the Indenture.

Principal hereof, premium, if any, upon early redemption hereof, and interest, are payable in lawful money of the United States of America. So long as all Bonds (defined below) are held in book-entry form and registered in the name of the Nominee, all payments with respect to principal, redemption premium, if any, and interest on the Bonds and all notices with respect to the Bonds 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. If the Bonds are no longer registered in the name of the Nominee, then principal and premium, if any, and interest shall be paid in the manner set forth in the Indenture.

This Bond is not a debt of the members of the Authority, the State of California, or any of its political subdivisions, and neither the members of the Authority or the State, nor any of its political subdivisions, is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues and other amounts pledged therefor under the Indenture. The Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

The Bonds are authorized to be issued in the form of fully registered Bonds in Authorized Denominations; provided that no Bond shall have principal represented thereby maturing in more than one year. Subject to the limitations and conditions and upon payment of the taxes and governmental charges as provided in the Indenture, Bonds may be exchanged or transferred as provided in the Indenture at the Principal Corporate Trust Office of the Trustee.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the “Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2023A” (the “Bonds”), in an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, or interest rates) and all issued pursuant to the laws of the State of California, including the Act, and pursuant to the Indenture and the resolution of the Board of Directors of the Authority authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance the acquisition and construction of certain facilities which are a part of the District’s Water System.

This Bond and the interest and premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by an irrevocable pledge of and a first and exclusive lien on the Revenues and amounts on deposit in the Bond Payment Fund and the Reserve Fund in accordance with the terms hereof and the provisions of the Indenture.

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the

District in a Written Request provided to the Trustee at least 60 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) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Indenture at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds are subject to optional redemption, in whole or in part, on any date on and after October 1, ____ from such maturities as are selected by the District in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date, in integral multiples of \$5,000, from any source of available funds provided to the Authority by or at the discretion of the District, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

The Term Bonds maturing on October 1, ____ (the “ ____ Term Bonds”), shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, ____ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the ____ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of the Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the ____ Term Bonds so redeemed by reducing each of such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice (which shall include a revised sinking fund schedule) filed by the District with the Trustee:

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

*

* Final Maturity.

The Term Bonds maturing on October 1, ____ (the “ ____ Term Bonds”), shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, ____ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the ____ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of the Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the ____ Term Bonds so redeemed by reducing each of such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice (which shall include a revised sinking fund schedule) filed by the District with the Trustee:

***Redemption Date
(October 1)***

***Principal
Amount***

\$

*

* Final Maturity.

The Term Bonds maturing on October 1, ____ (the “____ Term Bonds”), shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, ____ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the ____ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of the Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the ____ Term Bonds so redeemed by reducing each of such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice (which shall include a revised sinking fund schedule) filed by the District with the Trustee:

***Redemption Date
(October 1)***

***Principal
Amount***

\$

*

* Final Maturity.

In lieu of such redemption, the Trustee may apply amounts in the Principal Account to the purchase of Term Bonds at public or private sale for cancellation, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Term Bonds, as set forth in a Written Request of the District and subsequently cancelled or surrendered to the Trustee for cancellation. The par amount of any Term Bonds so purchased by the District in any twelve-month period immediately preceding any September 15 will be credited towards and will reduce the principal amount of such Term Bonds required to be redeemed on the succeeding October 1.

The Indenture and the rights and obligations of the Authority, the Owners and the Trustee thereunder may be amended or supplemented at any time by an amendment or supplement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall (1) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal or redemption

premium, if any, of any Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Authority to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the Bond so affected, or (2) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Indenture and the rights and obligations of the Authority and the District and the Owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment or supplement which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of an approving Favorable Opinion of Special Counsel and only if, in the opinion of the Trustee (which opinion may be based upon a Favorable Opinion of Special Counsel or a Certificate of the District), such amendment or supplement is not materially adverse to the interests of the Owners, including, but not limited to, amendments or supplements:

(a) to add to the agreements, conditions, covenants and terms contained therein required to be observed or performed by the Authority or the District other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the District, or to surrender any right reserved therein to or conferred therein on the Authority or the District, and which in either case shall not adversely affect the interests of the Owners;

(b) to modify, amend or supplement the Indenture in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Authority or the District may deem desirable or necessary, and which shall not adversely affect the interests of the Owners; and

(d) to make any modifications or changes necessary or appropriate in a Favorable Opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The Trustee has no obligation or liability to the registered owners of the Bonds for the payment of interest, principal or redemption premium, if any, with respect to the Bonds out of the Trustee's own funds; the Trustee's sole obligations are those described in the Indenture.

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

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney, at the Principal Corporate Trust 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 Bond or

Bonds, of an Authorized Denomination or Authorized Denominations, for a like aggregate principal amount and of like maturity will be issued to the transferee in exchange therefor.

Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other Authorized Denominations and of like 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 of or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption.

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

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 Act, the Indenture, and the Constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or any laws of the State of California, or by the Act.

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 signed by the Trustee.

IN WITNESS WHEREOF, the PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its President and attested to by the facsimile signature of its Secretary, all as of this ____ day of _____, 2023.

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
President

ATTEST:

By: _____
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

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

Dated: _____, 2023

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

By: _____
Authorized Officer

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Secretary of the Board of the Palmdale Water District
Public Financing Authority

[FORM OF STATEMENT OF INSURANCE]

[TO COME]

[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: _____, 20__

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(s) must be guaranteed by an
eligible guarantor institution.

ESCROW AGREEMENT

THIS ESCROW AGREEMENT is dated as of _____ 1, 2023, by and among the PALMDALE WATER DISTRICT (the “District”), the PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY (the “Authority”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, acting in its capacity as Escrow Bank (the “Escrow Bank”) pursuant to this Escrow Agreement (the “Agreement”).

WITNESSETH:

WHEREAS, the Authority issued its Water Revenue Bonds, Series 2013A (the “2013 Bonds”), pursuant to an Indenture of Trust (the “2013 Indenture”), dated as of May 1, 2013, by and between the Authority and the Escrow Bank, acting as trustee (the “Prior Trustee”); and

WHEREAS, the District previously entered into an Installment Purchase Agreement dated as of May 1, 2020, by and between Western Alliance Business Trust and the District, for the purpose of defeasing those 2013 Bonds maturing on October 1, 2038 and October 1, 2043; and

WHEREAS, on November 3, 2020, the District issued its 2020 Water Revenue Refunding Bonds (Federally Taxable) for the purpose of defeasing those 2013 Bonds maturing on October 1, 2032 and October 1, 2034; and

WHEREAS, the District previously entered into an Installment Purchase Agreement dated as of August 1, 2021, by and between Sterling National Bank and the District, for the purpose of defeasing those 2013 Bonds maturing on October 1, 2025 through October 1, 2028; and

WHEREAS, the District and the Authority have now determined that it is in its best interests and desirable that the outstanding 2013 Bonds maturing on October 1, 20__ and October 1, 20__ (collectively, the “Defeased Bonds”), as more particularly described in Schedule A hereto, be defeased pursuant to the terms of this Escrow Agreement and be redeemed on _____, 2023 at a redemption price equal to the principal amount thereof plus accrued interest to such date, without premium; and

WHEREAS, the District will provide funds necessary to defease the Defeased Bonds from a portion of the proceeds received by the District in connection with the issuance by the Authority of its Water Revenue Bonds, Series 2023A (the “2023 Bonds”), as described herein; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District, the Authority and the Escrow Bank agree as follows.

SECTION 1. Creation of Escrow.

(a) The Escrow Bank agrees to establish and maintain the Escrow Fund until final payment of the Defeased Bonds has been paid in full and to hold the moneys therein at all times as a special and separate escrow fund (wholly segregated from all other moneys on deposit with the Escrow Bank). The District shall deposit with the Escrow Bank \$_____ of proceeds received in connection with the 2023 Bonds and such moneys shall be deposited to the Escrow Fund. All moneys in the Escrow Fund are hereby irrevocably pledged to secure the payment of the Defeased Bonds. The Escrow Bank shall hold the amounts in the Escrow Fund uninvested in cash.

(b) The Escrow Bank hereby acknowledges receipt of the verification report of Causey Demgen & Moore, P.C., dated _____, 2023 (the “Verification Report”) with respect to the District’s defeasance of the Defeased Bonds in the manner and to the extent provided by law and in Section 10.01 of the 2013 Indenture.

SECTION 2. [Reserved].

SECTION 3. Payment of the Defeased Bonds. The District hereby irrevocably instructs the Escrow Bank, and the Escrow Bank hereby agrees, to make the payment of the Defeased Bonds from amounts on deposit in the Escrow Fund at the places and in the manner stipulated in the Defeased Bonds and the 2013 Indenture. The Trustee is hereby irrevocably instructed to provide a Notice of Optional Redemption to the owners of the Defeased Bonds pursuant to Section 4.03 of the 2013 Indenture with respect to the redemption of the Defeased Bonds on _____, 2023. The District hereby irrevocably instructs the Escrow Bank to provide the Notice of Defeasance in substantially the form set forth in Schedule C hereto. In accordance with Sections 4.01 and 10.01 of the 2013 Indenture, the Escrow Bank is irrevocably instructed to redeem the Defeased Bonds on _____, 2023 at a redemption price equal to the principal amount thereof, together with accrued interest thereon, without premium. Upon payment in full of the Defeased Bonds, the Escrow Bank shall transfer any moneys remaining in the Escrow Fund to the District and this Agreement shall terminate. The Escrow Fund cash flow is set forth in Schedule D attached hereto.

SECTION 4. Possible Deficiencies; Amounts in Excess of Required Cash Balance.

(a) If at any time the Escrow Bank has actual knowledge that the moneys in the Escrow Fund will not be sufficient to make all payments required by Section 3 hereof, the Escrow Bank shall notify the District in writing as soon as is reasonably practicable, of such fact, the amount of such deficiency and the reason therefor solely to the extent actually known to it.

(b) The Escrow Bank shall in no manner be responsible for any deficiency in the Escrow Fund.

SECTION 5. Fees and Costs.

(a) The District shall pay to the Escrow Bank from time to time reasonable compensation for all services rendered under this Agreement and shall reimburse the Escrow Bank for all out of pocket expenses (including reasonable legal fees and expenses) incurred hereunder.

(b) The fees of and the costs incurred by the Escrow Bank shall in no event be deducted or payable from, or constitute a lien against, the Escrow Fund.

SECTION 6. Merger or Consolidation. Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under this Agreement, shall be the successor to such Escrow Bank without the execution or filing of any paper or any further act, notwithstanding anything herein to the contrary.

SECTION 7. Indemnity. To the maximum extent permitted by law, the District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank 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 Bank at any time (whether or not also indemnified against the same by the District 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 deposited therein and any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Bank's respective successors, assigns, agents and employees or the material breach by the Escrow Bank of the terms of this Agreement. In no event shall the District or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement and the resignation or removal of the Escrow Bank.

SECTION 8. Responsibilities of the Escrow Bank. The Escrow Bank and its respective successors, assigns, 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 deposited therein, the sufficiency of the amounts on deposit in the Escrow Fund to accomplish the defeasance of the Defeased Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Bank 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 Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the amounts on deposit in the Escrow Fund to accomplish the defeasance of the Defeased Bonds or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Bank shall incur no liability with respect thereto. The Escrow Bank 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 Bank shall be determined by the express provisions of this Agreement and no implied covenants or obligations shall be read against the Escrow Bank hereunder. The Escrow Bank may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. No provisions of this Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability by the performance or exercise of its rights or powers. Whenever the Escrow Bank 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 authorized officer of the District.

The Escrow Bank may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request,

consent, order, approval 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 Escrow Bank 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.

Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Bank be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Bank has been advised of the likelihood of such loss or damage and regardless of the form of action. The Escrow Bank shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Bank and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Bank 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 Bank, or another method or system specified by the Escrow Bank as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Bank 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 Escrow Bank Instructions using Electronic Means and the Escrow Bank in its discretion elects to act upon such Instructions, the Escrow Bank's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Bank cannot determine the identity of the actual sender of such Instructions and that the Escrow Bank shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Bank have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Bank 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 Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such Instructions notwithstanding 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 Escrow Bank, including without limitation the risk of the Escrow Bank 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 Escrow Bank 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 Escrow Bank immediately upon learning of any compromise or unauthorized use of the security procedures.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Bank will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Escrow Bank hereunder.

The Escrow Bank shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Agreement.

The Escrow Bank shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys deposited with it to pay the principal, interest, or premiums, if any, on the Defeased Bonds.

SECTION 9. Amendments. This Agreement is made for the benefit of the District, the Authority and the owners from time to time of the Defeased Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Bank and the District; provided, however, that if the District and the Escrow Bank receive an opinion of nationally recognized bond attorneys to the effect that the exclusion from gross income for federal income tax purposes of the interest on the 2013 Bonds and the 2023 Bonds will not be adversely affected thereby, they 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 materially adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, 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 Bank for the benefit of the owners of the Defeased Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Bank; (iii) to include under this Agreement additional funds, securities or properties (but only if the sufficiency of the Escrow Fund for the purpose herein set forth is verified by a nationally recognized firm of independent certified public accountants) and shall hold funds received by it uninvested. The Escrow Bank shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 9, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Defeased Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 9.

SECTION 10. Resignation or Removal of Escrow Bank.

(a) The Escrow Bank may resign by giving not less than 30 days' notice in writing to the District, which notice shall be mailed to the owners of the Defeased Bonds remaining unpaid. The Escrow Bank may be removed upon 30 days' prior notice (1) by (i) filing with the District of an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of the Defeased Bonds then remaining unpaid, and (ii) the delivery of a copy of the instruments filed with the District to the Escrow Bank, or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Agreement upon application by the District or the owners of 5% in aggregate principal amount of the Defeased Bonds then remaining unpaid.

(b) If the position of Escrow Bank becomes vacant due to resignation or removal of the Escrow Bank or any other reason, a successor Escrow Bank may be appointed by the District. Notice of such appointment shall be mailed by first class mail, postage prepaid, to the registered

owners of the Defeased Bonds. Within one year after a vacancy, the owners of a majority in principal amount of the Defeased Bonds then remaining unpaid may, by an instrument or instruments filed with the District, appoint a successor Escrow Bank who shall supersede any Escrow Bank theretofore appointed by the District. If no successor Escrow Bank is appointed by the District or the owners of such Defeased Bonds then remaining unpaid, within 45 days after any such resignation or removal, the Escrow Bank may petition the appropriate court having jurisdiction for the appointment of a successor Escrow Bank. The responsibilities of the Escrow Bank under this Escrow Agreement will not be discharged until a new Escrow Bank is appointed and until the cash and investments held under this Escrow Agreement are transferred to the new Escrow Bank.

SECTION 11. Severability. If any section, paragraph, sentence, clause or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Agreement.

SECTION 12. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

SECTION 13. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 14. Definitions. Any capitalized term used but not otherwise defined in this Agreement shall have the meaning assigned to such term in the Prior Trust Agreement and the Indenture.

SECTION 15. Assignment. This Agreement shall not be assigned by the Escrow Bank or any successor thereto without the prior written consent of the District provided, however, that an assignment made pursuant to Section 6 hereof shall not require prior written consent.

SECTION 16. 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 which the corporate trust office of the Escrow Bank is located are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day 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.

[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 day and year first above written.

PALMDALE WATER DISTRICT

By: _____
General Manager

ATTEST:

Assistant Secretary

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
Executive Director

ATTEST:

Assistant Secretary

[SIGNATURE PAGE TO ESCROW AGREEMENT]

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

By: _____
Authorized Officer

SCHEDULE A
Defeased Bonds

Maturity (October 1)

Principal Amount

\$

SCHEDULE B

[RESERVED]

SCHEDULE C

**IRREVOCABLE INSTRUCTIONS AND REQUEST
TO TRUSTEE AND ESCROW BANK**

_____, 2023

The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust Department

\$44,350,000

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2013A**

Ladies and Gentlemen:

As Trustee under that certain Indenture of Trust, dated as of May 1, 2013, by and between the Palmdale Water District Public Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Indenture"), you are hereby notified of the irrevocable election of the Palmdale Water District (the "Water District") to defease the outstanding above-captioned Bonds maturing on October 1, 20__ and October 1, 20__ (the "Redeemed Bonds") in accordance with Section 10.01 of the Indenture and to redeem the Redeemed Bonds on _____, 2023. You are hereby irrevocably instructed to mail a notice of redemption to the owners of the Redeemed Bonds, in accordance with Section 4.03 of the Indenture, and a notice of defeasance substantially in the form attached as Exhibit A hereto. You are further irrevocably instructed to apply all moneys held in the escrow fund established under that certain Escrow Agreement dated as of _____ 1, 2023, by and among the Authority, the Water District and The Bank of New York Mellon Trust Company, N.A., as Escrow Bank to pay the redemption price of the Redeemed Bonds on _____, 2023.

[Remainder of this page left intentionally blank]

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
Its: Executive Director

PALMDALE WATER DISTRICT

By: _____
Its: General Manager

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

By: _____
Its: Authorized Officer

EXHIBIT A

**NOTICE OF DEFEASANCE OF
\$44,350,000
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2013A**

<i>CUSIP*</i>	<i>Bond No.</i>	<i>Maturity (October 1)</i>	<i>Interest Rate</i>	<i>Principal Amount Redeemed</i>	<i>Redemption Price</i>
			%	\$	%

Notice is hereby given to the holders of the outstanding above-captioned Bonds (the “Bonds”) set forth above that (i) the Bonds maturing on October 1, 20__ and October 1, 20__ (the “Defeased Bonds”) described above have been called for redemption on _____, 2023 and have been defeased as permitted by the Indenture of Trust dated as of May 1, 2013 (the “Indenture”), by and between the Palmdale Water District Public Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”); (ii) there has been deposited with The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “Escrow Bank”), cash which has been calculated by an independent certified public accounting firm to be sufficient to pay the redemption price of the outstanding Defeased Bonds on _____, 2023; and (iii) all of the Defeased Bonds have been deemed paid in accordance with Section 10.01 of the Indenture, and the Defeased Bonds have been completely discharged and satisfied.

The CUSIP numbers assigned to the Defeased Bonds are provided solely for the convenience of the holders of the Defeased Bonds.

Dated this __th day of _____, 2023.

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

** CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by Factset Research Systems Inc. Copyright© 2023 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. None of the District, the Authority, or the Underwriter take any responsibility for the accuracy of such numbers.*

SCHEDULE D
ESCROW FUND CASH FLOW

MINUTES OF MEETING OF THE OUTREACH COMMITTEE OF THE PALMDALE WATER DISTRICT, JUNE 27, 2023

A meeting of the Outreach Committee of the Palmdale Water District was held Tuesday, June 27, 2023, at 2029 East Avenue Q, Palmdale, CA 93550. Chair Mac Laren-Gomez called the meeting to order at 3:00 p.m.

1) Roll Call.

Attendance:

Committee:

Kathy Mac Laren-Gomez, Chair

Gloria Dizmang, Committee Member

Others Present:

Dennis LaMoreaux, General Manager

Adam Ly, Assistant General Manager

Judy Shay, Public Affairs Director

Claudia Bolanos, Resource and Analytics Spvsr.

Danielle Henry, Executive Assistant

Patricia Guerrero, Management Analyst

0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Dizmang, seconded by Chair Mac Laren-Gomez, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

3) Public Comments for Non-Agenda Items.

There were no public comments for non-agenda items.

4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held May 23, 2023.

It was moved by Committee Member Dizmang, seconded by Chair Mac Laren-Gomez, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Outreach Committee meeting held May 23, 2023, as written.

4.2) Discussion of 2023 Outreach Activities. (Public Affairs Director Shay)

a) Outreach Report.

Public Affairs Director Shay provided a detailed overview of the updated written Outreach Report of current events through June 27 including press releases, print publications, the Consumer Confidence Report, customer outreach, social media highlights, and participation in various events including a virtual Strategic Water Resources Plan Workshop, a Water-Wise Workshop on Smart Gardening for Beginners, and a Café con Leche radio interview followed by a brief discussion of utilizing Facebook Live during Coffee with Director events after which it was determined to test this option during Director Dizmang's Coffee event on June 29.

b) Upcoming Events/2023 Plans.

She then stated that upcoming events include Coffee with Director Dizmang on June 29; Customer Appreciation Day on July 18; National Night Out to be held at Massari Park on July 25; Let's Talk H2O!: Water Quality to be held at the Leslie O. Carter Water Treatment Plant on August 3; and a Junior Water Ambassadors Academy in the Fall followed by discussion of participation in the Poppy Festival, community outreach, a District hosted plant sale and Fall event, and inviting Mr. Kimble Goodman, Field Representative for Assemblymember Juan Carrillo, to be a presenter for the Water-Wise gardening event in December.

Chair Mac Laren-Gomez then requested to see the comic strip winning entries.

5) Reports.

5.1) Water-Use Efficiency Activities. (Resource and Analytics Supervisor Bolanos)

Resource and Analytics Supervisor Bolanos stated that staff continues monthly drought messaging and drink reporting; that there has been an increase in Water Saving Rebate applications; that there has been a decrease in water waste complaints and door tags; and that staff participated in the Water Wise-Workshop on Smart Gardening for Beginners and the 2nd Annual Antelope Valley College Summer Block Party followed by a brief discussion of composting, of community outreach for businesses, and of elected officials working together.

5.2) Lobbying Activities. (Assistant General Manager Ly)

Assistant General Manager Ly provided legislative updates on the District's position to oppose AB429 regarding groundwater wells permits and AB1563 regarding groundwater extraction permit verification from a local groundwater sustainability agency, and the support of the amended AB676 regarding state policy to specify human consumption as the highest use of water.

He then stated that Reeb Government Relations is working with lobbyists for the Sanitation District in support of AB1567 and SB867 regarding additional bond funding for water-related projects and that the monthly legislative report will be distributed next week.

6) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

7) Date of Next Committee Meeting.

It was determined that the next Outreach Committee meeting will be held July 25, 2023, at 3:00 p.m.

8) Adjournment.

There being no further business to come before the Outreach Committee, the meeting was adjourned at 3:45 p.m.


Chair

MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, JUNE 20, 2023:

A meeting of the Finance Committee of the Palmdale Water District was held Tuesday, June 20, 2023, at 2029 East Avenue Q, Palmdale, CA 93550. Chair Wilson called the meeting to order at 1:30 p.m.

1) Roll Call.

Attendance:

Committee:

Don Wilson, Chair

Kathy Mac Laren-Gomez,

Committee Member

Others Present:

Adam Ly, Assistant General Manager

Dennis Hoffmeyer, Finance Manager

Bob Egan, Financial Advisor

Diana Gunn, Accounting Supervisor

Danielle Henry, Executive Assistant

1 member of the public

2) Adoption of Agenda.

It was moved by Committee Member Mac Laren-Gomez, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

3) Public Comments for Non-Agenda Items.

There were no public comments for non-agenda items.

4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held May 16, 2023.

It was moved by Committee Member Mac Laren-Gomez, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Finance Committee meeting held May 16, 2023, as written.

4.2) Consideration and Possible Action on 2023-24 WIFIA Loan Consulting. (\$23,375.00 – Non-Budgeted – Finance Manager Hoffmeyer/Mark Northcross, NHA Advisors)

Finance Manager Hoffmeyer stated that staff recommends approval of the proposed Loan Consulting Agreement with NHA Advisors for the completion of Task No. 2 for the 2023-24 Water Infrastructure Finance and Innovation Act (WIFIA) loan application for the Pure Water AV Project, and after a brief discussion of the 2024 Rate Study and clarification that the consulting work provides financial planning assistance directly related to the WIFIA loan application process, it was moved by Committee Member Mac Laren-Gomez, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting to approve the Agreement with NHA Advisors for 2023-24 WIFIA Loan Consulting in the amount of \$23,375.00.

Finance Manager Hoffmeyer then stated that additional Task Orders may be presented to the Committee for future consideration based on the WIFIA application response by the Environmental Protection Agency (EPA).

4.3) Presentation on 2023 Bond Issue. (Finance Manager Hoffmeyer/Financial Advisor Egan/Mark Northcross, NHA Advisors)

Mr. Mark Northcross, of NHA Advisors, provided a detailed presentation on the Financing Plan for 2023 Water Bonds, including the projects and required funding, the outstanding debt and anticipated structure of 2023 Water Bonds, the financing team, the anticipated timing, and the Bond rating process followed by discussion of interest terms, debt service coverage requirements, inflation, operating costs, capital projects, grant funding, the future of water resiliency, past and future water rate increases, and clarification that the 2023 Bond Issue was factored into the 2019 Rate Study and does not bind the Board on future rate increases or committing to the WIFIA Loan.

The Committee Members then thanked Mr. Northcross for the presentation.

4.4) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of May 2023. (Financial Advisor Egan)

Financial Advisor Egan provided an overview of the monthly Major Account Activity Reports, the Investment Funds Report, and the Cash Flow Statement through May 2023, including account transfers, capital improvement funds received,

assessments received, increased interest income, face and market values, and the projected year-end balance, and then commended Finance Manager Hoffmeyer on the profitable investments made on behalf of the District.

Finance Manager Hoffmeyer then recommended that Agenda Item No. 5.2 be presented by Financial Advisor Egan to conclude his reporting.

5.2) Financial Advisor Egan:

a) Debt Service Coverage Status.

Financial Advisor Egan stated that the Debt Service Coverage for June 2022 to May 2023 is 1.41 and remains strong.

4.5) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for May 2023. (Finance Manager Hoffmeyer)

Finance Manager Hoffmeyer reviewed in detail the balance sheet, profit and loss statement, departmental budgets versus actual, and individual departmental budgets for the period ending May 2023, including audit adjustments related to the addition of GASB 87 for leases and GASB 68/75 for pension and Other Post-Employment Benefits (OPEB), and stated that operating revenue is slightly below the historical trend average at 35.3%, that expenses are slightly below the historical trend average at 35.1%, that most departments are operating at or below the traditional budgetary percentage of 41.7%, and that water sales have increased.

4.6) Discussion and Overview of Committed Contracts Issued. (Finance Manager Hoffmeyer)

Finance Manager Hoffmeyer provided an overview of the Contractual Commitments and Needs Report for new and replacement capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, committed and projected capital expenditures, and projects paid out through the 2021A Series Water Revenue Bonds through May 2023 and stated that all bond funding is expected to be funded within the three-year requirement.

5) Reports.

5.1) Finance Manager Hoffmeyer:

a) 2022 Annual Financial Report.

It was determined to review the 2022 Annual Financial Report under Agenda Item No. 5.3.

b) Accounts Receivable Overview.

Finance Manager Hoffmeyer provided a detailed overview of outstanding balances for each account type at sixty and ninety days past due and then stated that fifteen payment arrangements have been made as of May 31.

b) Revenue Projections.

He then stated that based on selling 14,500 AF of water, revenue is behind projections by approximately \$1,082,146 as of May 2023.

5.3) Other.

Finance Manager Hoffmeyer provided an overview of the 2022 Annual Financial Report highlighting the implementation and adjustments for GASB No. 87 for lease revenues and payables, the Amargosa Creek Project water rights, and OPEB liability followed by discussion of pension plans and benefits, S&P ratings, debt service coverage, cell site leases, and future broadband technology and services.

There were no other items to report.

6) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

7) Date of Next Committee Meeting.

Future financial reporting, pension liabilities and expenses, CalPERS member types, balancing operations and personnel expenses, and competitive salaries and benefits were discussed after which it was determined to defer pension and benefit discussions to the Personnel Committee.

It was then determined that the next Finance Committee meeting will be held July 18, 2023 at 1:30 p.m.

8) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 3:48 p.m.

A handwritten signature in blue ink, appearing to read "D. O'Neil", is written over a horizontal line.

Chair