



**BOARD OF COMMISSIONERS
MEETING AGENDA**

Rowland Water District
3021 S. Fullerton Road
Rowland Heights, CA 91748

**Thursday, June 6, 2024
8:00 A.M.**

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

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review at <https://puentebasin.com/board-packets/> or during regular business hours at the Walnut Valley Water District office, located at 271 S. Brea Canyon Road, Walnut, California.

1. Call to Order Chair Lewis
2. Flag Salute Chair Lewis
3. Roll Call Ms. Fleming

Chairman Lewis _____
Commissioner Lima _____

Vice-Chairman Woo _____
Commissioner Lee _____

4. Public Comment Chair Lewis
The Chair may impose reasonable limitations on public comments to assure an orderly and timely meeting.

5. [Receive and File a Certified Copy of the Walnut Valley Water District's Resolution \(No. 05-24-733\) that Authorized the Issuance and Sale of 2024 Bonds for the District Headquarters Remodel Project](#) Mr. Macias
(1) Discussion (2) Action Taken

6. [Consider Adoption of PBWA Resolution No. 06-24-032, Authorizing the Issuance and Sale of 2024 Bonds for the Walnut Valley Water District Headquarters Remodel Project Issuance of Bonds by Puente Basin Water Agency](#) Mr. Macias
 - i. [Review of Documents Related to Issuance of Bonds](#)
 - ii. [Consider Adoption of PBWA Resolution No. 06-24-032: Authorizing the Issuance and Sale of 2024 Bonds for the Walnut Valley Water District Headquarters Remodel Project](#)
(1) Discussion (2) Action Taken

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| 7. | Approval of Minutes for April 4, 2024 | Chair Lewis |
| | (1) Discussion (2) Action Taken | |
| 8. | Review of Financials Statements: Third Quarter FY 2024-25 | Ms. Malner |
| | (1) Discussion (2) Action Taken | |
| 9. | Puente Narrows Underflow | Chair Lewis |
| | (1) Discussion (2) Action Taken | |
| 10. | Consider Adoption of Resolution 06-24-033: Proposed Fiscal Year 2024-2025 Budget and Waiving Joint Powers Agreement Requirement for April Meeting | Mr. Macias |
| | (1) Discussion (2) Action Taken | |
| 11. | Discussion and Approval of the Annual PBWA Budget for FY 2024-2025 | Mr. Byerrum |
| | (1) Discussion (2) Action Taken | |
| 12. | PBWA Legislative Activities | |
| | A. CA Water for All Campaign Update | Mr. Macias |
| | B. SB 1330 (Archuleta) Urban Retail Water Supplier: Water Use | Mr. Coleman |
| 13. | Regional Water Supply Reliability Program | |
| | A. Puente Basin Groundwater Management Plan | Mr. Macias |
| | B. California Domestic Water Company | Mr. Coleman |
| | C. Central Basin | Mr. Coleman |
| | D. Pomona Basin Regional Groundwater Project | Mr. Macias |
| | i. Six Basins Groundwater Project Update | |
| | ii. Proposition 84 Grant | |
| | E. Regional Water Supply Reliability Program Update | Mr. Macias |
| | F. Advanced Water Treatment Facility | Mr. Macias |
| 14. | Attorney's Report | Mr. Ciampa |
| 15. | Commission Follow-Up | Mr. Macias |
| 16. | Commissioner Comments | |
| 17. | Items for Future Discussion/Review | Chair Lewis |
| 18. | Adjournment | |
| | • <i>Next Commission Meeting:</i> | |
| | <i>Walnut Valley Water District on Thursday, August 1, 2024 at 8:00 a.m.</i> | |

RESOLUTION NO. 05-24-733

RESOLUTION OF THE WALNUT VALLEY WATER DISTRICT
BOARD OF DIRECTORS
APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT
PURCHASE AGREEMENT FOR THE PURPOSE OF CAUSING THE ISSUANCE
OF NOT TO EXCEED \$35,000,000 AGGREGATE PRINCIPAL AMOUNT OF
WATER REVENUE BONDS, SERIES 2024, AND APPROVING THE EXECUTION
AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH
AND CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, Walnut Valley Water District (the “**District**”), a California water district that is duly organized and existing under Division 13 of the Water Code of the State of California (the “**State**”), proposes to undertake the financing of the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its water system consisting primarily of a new administrative building and renovations to the District’s existing administrative building (collectively, the “**2024 Project**”); and

WHEREAS, the District is a member of the Puente Basin Water Agency (the “**Agency**”), a joint exercise of powers agency that is duly organized and existing under a joint exercise of powers agreement and under the Constitution and laws of the State; and

WHEREAS, the Agency will be presented with the issuance of Water Revenue Bonds, Series 2024A (the “**Bonds**”) to assist the District in financing the 2024 Project; and

WHEREAS, the Board of Directors of the District (the “**Board**”) has determined that it is in the best interest of the District to enter into an Installment Purchase Agreement (the “**Installment Purchase Agreement**”), by and between the District and the Agency, and to approve certain other documents, to provide for the financing of the 2024 Project; and

WHEREAS, the Bonds are to be secured by installment payments to be made pursuant to the Installment Purchase Agreement, which installment payments will be payable from net revenues of the District’s water system to the extent set forth in the Installment Purchase Agreement; and

WHEREAS, the Agency and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”), will enter into an Indenture of Trust (the “**Indenture**”), to provide for the issuance and security of the Bonds and the financing of the 2024 Project; and

WHEREAS, the District desires to execute a Continuing Disclosure Certificate (such Continuing Disclosure Certificate, in the form on file with the District Secretary, with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “**Continuing Disclosure Certificate**”) to provide updates of certain information relating to the District and its water system while the Bonds are outstanding; and

WHEREAS, the District desires to execute and deliver a purchase contract (the “**Purchase Contract**”) with the Agency and Wells Fargo Bank, National Association, as underwriter (the “**Underwriter**”), with respect to the Bonds; and

WHEREAS, in order to effect a public sale of the Bonds to the Underwriter, the District is required under federal securities laws and regulations to prepare a preliminary official statement with respect to the Bonds (the “**Preliminary Official Statement**”) disclosing material information about the District, the 2024 Project and the District’s water system; and

WHEREAS, the District wishes to approve the Preliminary Official Statement for the Bonds, which has been prepared by the District and the Agency; and

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

WHEREAS, the Bonds will be issued by the Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the “**Act**”); and

WHEREAS, the District has prior to the consideration of this resolution held a public hearing on the financing of the 2024 Project with the proceeds of the issuance of the Bonds in accordance with Section 6586.5 of the Act; and

WHEREAS, notice of such hearing was published at least once in the San Gabriel Valley Tribune, a newspaper of general circulation within the District, at least five days prior to the hearing (in accordance with Section 6586.5 of the Act); and

WHEREAS, at least five business days prior to such hearing, a notice containing the information required by Section 6586.5(a)(3) of the Act was sent by certified mail to the Attorney General of California and to the California Debt and Investment Advisory Commission; and

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

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

1. The Board hereby specifically finds and declares that each of the statements, findings and determinations of the Board that are set forth in the above recitals and in the preambles of the documents that are approved herein are true and correct and that the financing of the 2024 Project will result in significant public benefits for the residents of the District. The Board hereby further finds and determines that there are significant public benefits to the citizens of the District of the type described in Section 6586 of the Act in having the Agency assist the District with respect to the financing of the 2024 Project through the issuance of the Bonds, in that the issuance of the Bonds and related transactions will result in demonstrable savings in effective interest rate to the District and significant reductions in effective user charges levied by the District.

2. The Installment Purchase Agreement is hereby approved substantially in the form on file with the District Secretary. Each of the President, the Vice President, the General Manager, the Assistant General Manager and the District Secretary, or the written designee of one of the foregoing (the “**Authorized Officers**”), acting singly, is hereby authorized and directed to execute and deliver the Installment Purchase Agreement, in the name of and on behalf of the District, in substantially the form attached hereto, with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Installment Purchase Agreement, said execution being conclusive evidence of such approval, and the District Secretary is hereby authorized to attest thereto.

3. The Continuing Disclosure Certificate is hereby approved substantially in the form on file with the District Secretary. Each Authorized Officer or the designee thereof is hereby authorized and directed to execute and deliver such Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by the officer executing the same, said execution being conclusive evidence of such approval.

4. The Purchase Contract is hereby approved substantially in the form on file with the District Secretary. Each Authorized Officer or the designee thereof is hereby authorized and directed to execute and deliver the Purchase Contract with such changes, insertions and omissions as may be approved by the officer executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the aggregate principal amount of the Bonds exceed \$35,000,000, nor shall the underwriting discount exceed 0.40% of the aggregate principal amount of the Bonds, nor shall the true interest cost of the Bonds exceed 5.00%.

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

in electronic form, is hereby authorized and approved. Each of the Authorized Officers, acting singly, is hereby authorized to determine that the Preliminary Official Statement is deemed final for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

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

6. The proceeds of the Bonds shall be deposited as provided in the Indenture and the Installment Purchase Agreement: (a) to finance the 2024 Project; (b) to pay the costs of issuing the Bonds; (c) if advisable to reduce the interest rate payable on the Bonds and/or secure a higher credit rating on the Bonds, to establish a reserve fund for the Bonds; and (d) if determined to be in the best interest of the District, to capitalize interest on the Bonds during all or a portion of the construction period for the 2024 Project

7. The appointment of U.S. Bank Trust Company, National Association, as Trustee under and pursuant to the Indenture, with the powers and duties of said office as set forth therein, is hereby approved.

8. The District wishes to engage Stradling Yocca Carlson & Rauth LLP (“**SYCR**”), as Bond Counsel and Disclosure Counsel in connection with the execution and delivery of the Installment Purchase Agreement and the issuance of the Bonds and such engagement is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver an engagement letter with SYCR, in the name of and on behalf of the District.

9. The District wishes to engage Urban Futures, Inc. (“**UFI**”), as Municipal Advisor in connection with the execution and delivery of the Installment Purchase Agreement and the issuance of the Bonds and such engagement is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver an engagement letter with UFI, in the name of and on behalf of the District.

10. The Board hereby approves the execution and delivery of all agreements, documents, certificates and instruments referred to herein with electronic signatures as may be permitted under the California Uniform Electronic Transactions Act and digital signatures as may be permitted under Section 16.5 of the California Government Code using DocuSign.

11. The Authorized Officers or any other proper officer of the District, acting singly, be and each of them hereby is 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, the Installment Purchase Agreement, the Purchase Contract, the Continuing Disclosure Certificate and this Resolution. In the event that the President of the Board is unavailable to sign any of the agreements described herein, any other member of the Board may sign such agreement.

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

**ADOPTED AT A REGULAR MEETING OF THE WALNUT VALLEY WATER DISTRICT
HELD MAY 20, 2024**

AYES: Hilden, Kwong, Lee, Tang, Woo
NOES: None
ABSENT: None
ABSTAIN: None



President
Board of Directors

ATTEST:



Secretary

EXHIBIT A

GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

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

Principal Amount. The Underwriter has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the principal amount of the Bonds is \$33,665,000 (the "**Estimated Principal Amount**").

True Interest Cost. The Underwriter has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 4.34%.

Finance Charge of the Bonds. The Underwriter has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$347,241.

Amount of Proceeds to be Received. The Underwriter has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$33,000,000.

Total Payment Amount. The Underwriter has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$66,521,858.

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

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



TO: Board of Commissioners
FROM: Jared Macias, Administrative Officer
DATE: June 6, 2024
RE: Consider Adoption of PBWA Resolution No. 06-24-032: Authorizing the Issuance and Sale of 2024 Bonds for the Walnut Valley Water District Headquarters Remodel Project

Recommendation:

It is recommended that the Board of Commissioners approve and adopt Resolution No. 06-24-032, authorizing the issuance and sale of Walnut Valley Water District (WVWD) 2024 Bonds. Based on current interest rates the 2024 Bonds are expected to have average annual debt service payments of approximately \$2.26 million and a true interest cost of 4.34%. The source of repayment for the debt service on the 2024 Bonds is net revenues of the WVWD's water system.

Background:

To finance the redevelopment of acquired properties for Walnut Valley Water District's (District) new headquarters, the District intends to enter into an Installment Purchase Agreement with Puente Basin Water Agency (Agency). The installment payments received by the Bond Trustee as the assignee of the Agency will be used to secure the issuance of the Agency's Water Revenue Bonds, Series 2024 (2024 Bonds). The District's obligation to make installment payments to the Agency are to be secured by a pledge and lien on Revenues of the District's Water System and will be on parity with the District's outstanding 2021 Bonds.

The proposed 2024 Bonds are estimated to be issued in the principal amount of approximately \$33.7 million with a final maturity of June 1, 2054. Based on current market conditions and assuming the District's current "AA+" Standard & Poor's rating, the 2024 Bonds are expected to have average annual debt service payments of \$2.26 million and a true interest cost of 4.34%. The final interest cost and debt service payments will be determined when the 2024 Bonds are priced, which is currently expected in June 2024.

Summary of Financing Documents:

The subject Resolution approves the financing plan outlined above, appoints and retains the financing team (Urban Futures, Inc. as Municipal Advisor; Stradling Yocca Carlson & Rauth as Bond and Disclosure Counsel; and U.S. Bank National Association as Trustee), and approves all documents and actions needed to authorize the issuance and sale of the 2024 Bonds, including the following substantially final form financing documents together with any changes or additions deemed advisable and approved by the PBWA:

- **Installment Purchase Agreement** - Agreement by and between the District and the Agency pursuant to which the District agrees to make installment payments to the Agency to secure the issuance of the Bonds. The installment payments are secured by a pledge and lien on Net Revenues of the District. This agreement contains all of the required financial covenants of the District.
- **Indenture of Trust** - Agreement by and among the District, the Agency, and the Bond Trustee pursuant to which the installment payments are pledged to the repayment of the Bonds. Sets for the relevant terms of the Bonds and the rights and remedies of Bond Owners.
- **Purchase Contract** - Agreement among the Agency, the District and Wells Fargo Bank, N.A., as bond underwriter, pursuant to which the underwriter agrees to purchase the bonds and sell them to investors on behalf of the District.
- **Preliminary Official Statement** - Document pursuant to which the 2024 Bonds will be offered for purchase by the public. This document must contain all facts material to the 2024 Bonds, the District and the Agency (with certain permitted exceptions to be completed in the final Official Statement) and must not omit any such material facts.

As required under Section 5852.1 of the California Government Code (Code), good faith estimates as provided by the Municipal Advisor and Underwriter are provided as an attachment to the authorizing Resolution.

Attachments:

- *Resolution 06-24-032*
- *Installment Purchase Agreement*
- *Indenture of Trust*
- *Purchase Contract*
- *Official Statement*

RESOLUTION NO. 06-24-032

A RESOLUTION OF THE PUENTE BASIN WATER AGENCY AUTHORIZING THE SALE AND ISSUANCE OF PUENTE BASIN WATER AGENCY WATER REVENUE BONDS, SERIES 2024A, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$35,000,000 AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the Puente Basin Water Agency (the “**Agency**”), a joint exercise of powers authority that is duly organized and existing under a joint exercise of powers agreement and under the Constitution and laws of the State of California (the “**State**”), has the powers, among others, to issue bonds and to finance water facilities on behalf of its members pursuant to Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, including but not limited to Article 4 thereof, known as the “Marks-Roos Local Bond Pooling Act of 1985,” Government Code Section 6584 et seq. (the “**Act**”); and

WHEREAS, the Walnut Valley Water District (the “**District**”), a California water district that is duly organized and existing under Division 13 of the Water Code of the State of California, and a member of the Agency, proposes to undertake the financing of the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its water system consisting primarily of a new administrative building and renovations to the District’s existing administrative building (collectively, the “**2024 Project**”); and

WHEREAS, the Board of Commissioners of the Agency (the “**Board**”) has determined that it is desirable to issue its Water Revenue Bonds, Series 2024A (the “**Bonds**”) in an aggregate principal amount not to exceed \$35,000,000 to assist the District in financing the 2024 Project; and

WHEREAS, the Bonds are to be secured by installment payments to be made pursuant to an Installment Purchase Agreement (the “**Installment Purchase Agreement**”), by and between the District and the Agency, which installment payments will be payable from net revenues of the District’s water system; and

WHEREAS, the Board has determined that it is in the best interest of the Agency to enter into the Installment Purchase Agreement with the District, and to approve certain other documents; and

WHEREAS, the Agency and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”), desire to enter into an Indenture of Trust (the “**Indenture**”), to provide for the issuance and security of the Bonds and to provide for the financing of the 2024 Project; and

WHEREAS, pursuant to the Indenture, the Agency will assign to the Trustee the installment payments payable under the Installment Purchase Agreement; and

WHEREAS, the Agency desires to execute and deliver a purchase contract (the “**Purchase Contract**”) with the District and Wells Fargo Bank, National Association (the “**Underwriter**”), with respect to the Bonds; and

WHEREAS, in order to effect a public sale of the Bonds to the Underwriter, the Agency is required under federal securities laws and regulations to prepare a preliminary official statement with

respect to the Bonds (the “**Preliminary Official Statement**”) disclosing material information about the District, the 2024 Project and the District’s water system; and

WHEREAS, the Agency wishes to approve the Preliminary Official Statement for the Bonds, which has been prepared by the District and the Agency; and

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

WHEREAS, the Bonds will be issued by the Authority pursuant to the Act; and

WHEREAS, the District has prior to the consideration of this resolution held a public hearing on the financing of the 2024 Project with the proceeds of the issuance of the Bonds in accordance with Section 6586.5 of the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the Act; and

WHEREAS, notice of such hearing was published at least once in the San Gabriel Valley Tribune, a newspaper of general circulation within the District, at least five days prior to the hearing (in accordance with Section 6586.5 of the Act); and

WHEREAS, at least five business days prior to such hearing, a notice containing the information required by Section 6586.5(a)(3) of the Act was sent by certified mail to the Attorney General of California and to the California Debt and Investment Advisory Commission;

NOW, THEREFORE, THE BOARD OF COMMISSIONERS OF THE PUENTE BASIN WATER AGENCY hereby adopts the following resolutions:

SECTION 1: The Board hereby specifically finds and declares that each of the statements, findings and determinations of the Agency that are set forth in the above recitals and in the preambles of the documents that are approved herein are true and correct and that the financing of the 2024 Project will result in significant public benefits for the residents of the District. The Board hereby further finds and determines that there are significant public benefits to the citizens of the District of the type described in Section 6586 of the Act in having the Agency assist the District with respect to the financing of the 2024 Project through the issuance of the Bonds, in that the issuance of the Bonds and related transactions will result in demonstrable savings in effective interest rate to the District and significant reductions in effective user charges levied by the District.

SECTION 2: The Board hereby authorizes the preparation, sale and delivery of the Bonds in accordance with the terms and provisions of the Indenture in an aggregate principal amount (not in excess of \$35,000,000) that is determined by the Chair, the Vice Chair, the Administrative Officer, the Treasurer or the Secretary of the Commission, and any designee thereof (each, an “**Authorized Officer**”), together with other available funds, as being necessary: (a) to finance the 2024 Project; (b) to pay the costs of issuing the Bonds; (c) if advisable to reduce the interest rate payable on the Bonds and/or secure a higher credit rating on the Bonds, to establish a reserve fund for the Bonds; and (d) if determined to be in the best interest of the District, to capitalize interest on the Bonds during all or a portion of the construction period for the 2024 Project;

SECTION 3: The form of the Bonds, as set forth in the form of the Indenture (as the Indenture may be modified pursuant hereto), is hereby approved; and the Authorized Officers are hereby authorized and directed to execute the Bonds by manual or facsimile signature in the name and on behalf of the Agency.

SECTION 4: The Installment Purchase Agreement is hereby approved substantially in the form on file with the Secretary of the Commission. Each Authorized Officer or the designee thereof 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 officer executing the same, said execution being conclusive evidence of such approval.

SECTION 5: The Indenture is hereby approved substantially in the form on file with the Secretary of the Commission. Each Authorized Officer or the designee thereof is hereby authorized and directed to execute and deliver such Indenture with such changes, insertions and omissions as may be approved by the officer executing the same, said execution being conclusive evidence of such approval.

SECTION 6: The Purchase Contract is hereby approved substantially in the form on file with the Secretary of the Commission. Each Authorized Officer or the designee thereof is hereby authorized and directed to execute and deliver such Purchase Contract with such changes, insertions and omissions as may be approved by the officer executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the aggregate principal amount of the Bonds exceed \$35,000,000, nor shall the underwriting discount exceed 0.40% of the aggregate principal amount of the Bonds, nor shall the true interest cost of the Bonds exceed 5.00%.

SECTION 7: The Preliminary Official Statement, in substantially the form on file with the Secretary of the Commission, and made a part hereof as though set forth in full herein, is hereby approved. Each of the Authorized Officers, acting singly, is hereby authorized to cause the Preliminary Official Statement to be delivered to the Underwriter, in substantially the form on file with the Secretary of the Commission, with such changes, insertions and deletions as may be approved by the Authorized Officer delivering the Preliminary Official Statement (including without limitation the insertion of the proposed terms of the Bonds), said delivery being conclusive evidence of such approval. The use of the Preliminary Official Statement in connection with the offering and sale of the Bonds by the Underwriter, including delivery of the Preliminary Official Statement in electronic form, is hereby authorized and approved. Each of the Authorized Officers, acting singly, is hereby authorized to determine that the Preliminary Official Statement is deemed final for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

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

Contract, in the name and on behalf of the District, and thereupon to cause such amendment or supplement to be delivered to the Underwriter.

SECTION 8: The proceeds of the Bonds shall be deposited as provided in the Indenture and the Installment Purchase Agreement to finance the 2024 Project.

SECTION 9: The appointment of U.S. Bank Trust Company, National Association, as Trustee under and pursuant to the Indenture, with the powers and duties of said office as set forth therein, is hereby approved.

SECTION 10: The Board hereby approves the execution and delivery of all agreements, documents, certificates and instruments referred to herein with electronic signatures as may be permitted under the California Uniform Electronic Transactions Act and digital signatures as may be permitted under Section 16.5 of the California Government Code using DocuSign.

SECTION 11: Pursuant to Section 6586.7 of the Act, the Secretary of the Commission is hereby directed to send by certified mail a copy of this Resolution, no later than five days after adopted by the Authority, to the Attorney General and the California Debt and Investment Advisory Commission.

SECTION 12: The Authorized Officers or any other proper officer of the Agency, acting singly, be and each of them hereby is 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, the Installment Purchase Agreement, the Purchase Contract and this Resolution. In the event that the Chair is unavailable to sign any of the agreements described herein, any other member of the Board may sign such agreement.

SECTION 13: The Secretary of the Commission shall certify to the adoption of this resolution.

PASSED by roll call vote and ADOPTED this 6th day of June, 2024.

Attest:

Chair, Puente Basin Water Agency

Secretary, Puente Basin Water Agency

Legal Counsel

EXHIBIT A

GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

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

Principal Amount. The Underwriter has informed the Agency that, based on the District's financing plan and current market conditions, its good faith estimate of the principal amount of the Bonds is \$33,665,000 (the "**Estimated Principal Amount**").

True Interest Cost. The Underwriter has informed the Agency 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 4.34%.

Finance Charge of the Bonds. The Underwriter has informed the Agency that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$347,241.

Amount of Proceeds to be Received. The Underwriter has informed the Agency that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$33,000,000.

Total Payment Amount. The Underwriter has informed the Agency that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$66,521,858.

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

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

INSTALLMENT PURCHASE AGREEMENT

by and between

WALNUT VALLEY WATER DISTRICT

and

PUENTE BASIN WATER AGENCY

Dated as of ____ 1, 2024

Relating to

\$ _____
PUENTE BASIN WATER AGENCY
WATER REVENUE BONDS, SERIES 2024A

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS

Section 1.01.	Definitions.....	1
---------------	------------------	---

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.01.	Representations by the District	7
Section 2.02.	Representations and Warranties by the Agency	7

ARTICLE III ACQUISITION AND CONSTRUCTION OF PROJECTS

Section 3.01.	Acquisition and Construction of the 2024 Project	8
Section 3.02.	Changes to the 2024 Project	8
Section 3.03.	Purchase and Sale of the 2024 Project	8
Section 3.04.	Title	8
Section 3.05.	Acquisition Fund.....	8

ARTICLE IV INSTALLMENT PAYMENTS

Section 4.01.	Purchase Price	9
Section 4.02.	Series 2024 Installment Payments	9

ARTICLE V SECURITY

Section 5.01.	Pledge of Revenues.....	9
Section 5.02.	Allocation of Revenues.....	10
Section 5.03.	Additional Contracts and Bonds	11
Section 5.04.	Investments	12
Section 5.05.	Rate Stabilization Reserve	12

ARTICLE VI COVENANTS OF THE DISTRICT

Section 6.01.	Compliance with Installment Purchase Agreement and Ancillary Agreements	12
Section 6.02.	Against Encumbrances.....	12
Section 6.03.	Against Sale or Other Disposition of Property	13
Section 6.04.	Against Competitive Facilities.....	13
Section 6.05.	Tax Covenants	13
Section 6.06.	Prompt Acquisition and Construction.....	14
Section 6.07.	Maintenance and Operation of the Water System	14
Section 6.08.	Payment of Claims	14
Section 6.09.	Compliance with Contracts.....	14
Section 6.10.	Insurance	14
Section 6.11.	Accounting Records; Financial Statements and Other Reports	15
Section 6.12.	Protection of Security and Rights of the Agency.....	16

TABLE OF CONTENTS
(continued)

	Page
Section 6.13.	Payment of Taxes and Compliance with Governmental Regulations..... 16
Section 6.14.	Amount of Rates and Charges 16
Section 6.15.	Collection of Rates and Charges 16
Section 6.16.	Eminent Domain Proceeds..... 16
Section 6.17.	Further Assurances..... 17
Section 6.18.	Enforcement of Contracts 17
Section 6.19.	Continued Existence of Agency..... 17

ARTICLE VII
PREPAYMENT OF SERIES 2024 INSTALLMENT PAYMENTS

Section 7.01.	Prepayment 17
Section 7.02.	Method of Prepayment..... 18

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.01.	Events of Default and Acceleration of Maturities 18
Section 8.02.	Application of Funds Upon Acceleration 19
Section 8.03.	Other Remedies of the Agency 19
Section 8.04.	Non-Waiver..... 19
Section 8.05.	Remedies Not Exclusive 20

ARTICLE IX
DISCHARGE OF OBLIGATIONS

Section 9.01.	Discharge of Obligations 20
---------------	-----------------------------------

ARTICLE X
MISCELLANEOUS

Section 10.01.	Liability Limited 21
Section 10.02.	Benefits of Installment Purchase Agreement Limited to Parties 21
Section 10.03.	Successor Is Deemed Included in all References to Predecessor 21
Section 10.04.	Waiver of Personal Liability 21
Section 10.05.	Article and Section Headings, Gender and References 21
Section 10.06.	Partial Invalidity..... 22
Section 10.07.	Assignment 22
Section 10.08.	Net Contract..... 22
Section 10.09.	California Law 22
Section 10.10.	Notices 22
Section 10.11.	Effective Date 23
Section 10.12.	Execution in Counterparts..... 23
Section 10.13.	Indemnification of Agency 23
Section 10.14.	Amendments Permitted..... 23
Section 10.15.	Paired Obligation Provider Guidelines 24
Signatures S-1

TABLE OF CONTENTS
(continued)

	Page
Exhibit A	Description of the 2024 Project.....A-1
Exhibit B	Purchase PriceB-1
Exhibit C	Form of Substitution Statement.....C-1
Exhibit D	Form of Requisition from Acquisition Fund.....D-1

INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, dated as of ____ 1, 2024, is entered into by and between the WALNUT VALLEY WATER DISTRICT, a California water district that is duly organized and existing under Division 13 of the Water Code of the State of California (the “**District**”), and the PUENTE BASIN WATER AGENCY, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California (the “**Agency**”).

RECITALS

A. The District proposes to finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its Water System consisting primarily of a new administrative building and renovations to the District’s existing administrative building, as described in Exhibit A (the “**2024 Project**”).

B. The Agency has agreed to assist the District in financing the 2024 Project on the terms and conditions that are set forth herein.

C. The Agency is authorized by Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including but not limited to Section 6540 *et seq.*, to finance the acquisition and construction of property for its members.

D. The District is authorized by Division 13 of the Water Code of the State of California, including but not limited to Sections 35401, 35406, 35500 and 35508, to acquire and/or otherwise contract for construction of the 2024 Project.

E. The District and the Agency have duly authorized the execution of this Installment Purchase Agreement.

F. All acts, conditions and things that are 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 1.01. Definitions. Unless the context otherwise requires, the terms that are defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document that is mentioned herein or therein have the meanings that are defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms that are defined herein. All capitalized terms that are used herein and not defined herein shall have the meanings that are ascribed thereto in the Indenture.

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

Acquisition Fund. The term "Acquisition Fund" means the fund by that name created pursuant to Section 3.04 of the Indenture.

Agency. The term "Agency" means Puente Basin Water Agency, a joint exercise of powers agency that is duly organized pursuant to the JPA Agreement and existing under and by virtue of the laws of the State of California.

Bonds. The term "Bonds" means all revenue bonds or notes of the District that are authorized, executed, issued and delivered by the District, the payments of which are payable from Net Revenues on a parity with the Series 2024 Installment Payments and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof, including but not limited to the 2021A Bonds.

Contracts. The term "Contracts" means all contracts of the District that are previously or hereafter authorized and executed by the District, the payments under which are payable from Net Revenues on a parity with the Series 2024 Installment Payments and which are secured by a pledge and lien on Revenues as described in Section 5.01 hereof; but excluding contracts entered into for operation and maintenance of the Water System.

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 period of calculation, the sum of:

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

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

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

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

less the earnings derived from investment of moneys on deposit in any debt service reserve fund and any construction fund created with respect to any Contracts or Bonds to the extent that such earnings are deposited in a debt service fund, including the 2024A Bond Payment Fund;

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

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

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

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

provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such Paired Obligations, but only if the applicable Paired Obligations satisfy the requirement set forth in Section 10.15

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

Event of Default. The term “Event of Default” means an event that is described in Section 8.01.

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

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

Indenture. The term “Indenture” means the Indenture of Trust, dated as of the date hereof, by and between the District and the Agency, relating to the 2024A Bonds.

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 Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants that is 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 of the District, but who may be regularly retained to make reports to the District; and (4) is registered as a “municipal advisor,” as defined in Section 15B of the Securities Exchange Act of 1934, as amended.

Initial Rating Requirement. The term “Minimum Rating Requirement” means the rating requirement described in Section 10.15(a).

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.

Installment Payments. The term “Installment Payments” means the Installment Payments of interest and principal scheduled to be paid by the District under and pursuant to the Contracts.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means this Installment Purchase Agreement, by and between the District and the Agency, dated as of ____ 1, 2024, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

JPA Agreement. The term “JPA Agreement” means the Amended, Restated and Renewed Joint Powers Agreement, dated October 28, 2009, by and between the District and Rowland Water District, as amended from time to time, pursuant to which the Agency is established.

Minimum Rating Requirement. The term “Minimum Rating Requirement” means the rating requirement described in Section 10.15(b).

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

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

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the Installment Purchase Agreement or any Contracts or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (ii) costs spent or incurred in the purchase of water for the Water System; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges and any amounts transferred to the Rate Stabilization Reserve.

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

Paired Obligations. The term “Paired Obligations” means any Bond or Contract (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered: (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (ii) the interest rates which, taken together, are reasonably expected to result in a fixed interest rate obligation of the District for the term of such Bond or Contract, as certified by an Independent Financial Consultant in writing, and which comply with the provisions of Section 10.15 hereof.

Project. The term “Project” means additions, betterments, extensions or improvements to the District’s facilities designated by the Board of Directors of the District as a Project, the acquisition and construction of which is to be paid for by the proceeds of any Contracts or Bonds.

Purchase Price. The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Agency under the terms hereof as provided in Section 4.01.

Rate Stabilization Reserve. The term “Rate Stabilization Reserve” means the fund by that name that is described in Section 5.05.

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

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

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

"Revenues" also include all amounts transferred from the Rate Stabilization Reserve to the Revenue Fund during any Fiscal Year or up to 120 days after the end of any Fiscal Year for application during such prior Fiscal Year in accordance with Section 5.08 and do not include any amounts transferred from the Revenue Fund to the Rate Stabilization Reserve during any Fiscal Year in accordance with Section 5.02(c).

Series 2024 Installment Payment Date. The term "Series 2024 Installment Payment Date" means the Business Day prior to ____ 1, 20__ and prior to each June 1 and December 1 thereafter.

Series 2024 Installment Payments. The term "Series 2024 Installment Payments" means the Installment Payments scheduled to be paid by the District under and pursuant to the Installment Purchase Agreement.

Trustee. The term "Trustee" means U.S. Bank Trust Company, National Association, acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

2021A Bonds. The term "2021A Bonds" means the Walnut Valley Water District Water Revenue Refunding Bonds, Series 2021A (Federally Taxable) issued pursuant to an Indenture of Trust, dated as of August 1, 2021, by and between the Trustee and the District.

2024 Project. The term "2024 Project" means the additions, betterments, extensions and improvements to the District's Water System facilities, including real property and buildings, if any, which are described as such in Exhibit A, to the extent: (i) approved pursuant to the California Environmental Quality Act; and (ii) paid for with the proceeds of the 2024A Bonds, and as modified in conformance with Section 3.02 hereof.

2024A Bonds. The term "2024A Bonds" means the Puente Basin Water Agency Water Revenue Bonds, Series 2024A, issued pursuant to the Indenture.

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations by the District. The District makes the following representations:

(a) The District is a California water district that is duly organized and existing under Division 13 of the Water Code of the State of California.

(b) The District has full legal right, power and authority to enter into this Installment Purchase Agreement, carry out its obligations hereunder and carry out and consummate all other transactions that are contemplated by this Installment Purchase Agreement, and the District has complied with the provisions of the laws of the State of California 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 that is paid for the installment purchase of the 2024 Project under the terms of this Installment Purchase Agreement being included in the gross income of the Agency or its assigns for purposes of federal or 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 laws of the State of California that the District finance and acquire the 2024 Project in the manner that is provided for in this Installment Purchase Agreement in order to provide essential services and facilities to persons residing in the District.

Section 2.02. Representations and Warranties by the Agency. The Agency makes the following representations and warranties:

(a) The Agency is a joint exercise of powers agency that is duly organized under the JPA Agreement 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 that are 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 Agency 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 Agency.

(c) The Agency will not take or permit any action to be taken which results in interest that is paid for the installment purchase of the 2024 Project under the terms of this Installment Purchase Agreement being included in the gross income of the Agency or its assigns for purposes of federal or State of California personal income taxation.

ARTICLE III

ACQUISITION AND CONSTRUCTION OF PROJECTS

Section 3.01. Acquisition and Construction of the 2024 Project. The Agency hereby agrees to cause the 2024 Project and any additions or modifications thereto 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 Agency, the complete design, construction, acquisition and installation of the 2024 Project in accordance with all applicable laws. The District hereby agrees that it will cause the construction, acquisition and installation of the 2024 Project to be diligently performed after the deposit of funds into the Acquisition Fund pursuant to Section 3.02 of the Indenture, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, and that it will use its best efforts to cause the construction, acquisition and installation of the 2024 Project to be substantially completed by three years after the Closing Date, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Agency shall be under no liability of any kind or character whatsoever for the payment of any cost of the 2024 Project and that all such costs and expenses shall be paid by the District.

Section 3.02. Changes to the 2024 Project. The District may substitute other improvements for those listed as components of the 2024 Project in Exhibit A, but only if the District first files with the Agency 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 2024 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 3.03. Purchase and Sale of the 2024 Project. In consideration for the Series 2024 Installment Payments, the Agency agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Agency, the 2024 Project at the purchase price that is specified in Section 4.01 hereof and otherwise in the manner and in accordance with the provisions of the Installment Purchase Agreement.

Section 3.04. Title. All right, title and interest in each component of the 2024 Project shall vest in the District immediately upon acquisition or construction thereof. Such vesting shall occur without further action by the Agency or the District, and the Agency shall, if requested by the District or if necessary to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

Section 3.05. Acquisition Fund. There has been established with the Trustee pursuant to the Indenture the Acquisition Fund. The moneys in the Acquisition Fund shall be held by the Trustee in trust and applied to the payment of the costs of acquisition and construction of the 2024 Project and of expenses incidental thereto. Before any payment is made from the Acquisition Fund by the Trustee, the General Manager of the District, acting as agent of the Agency, shall cause to be filed with the Trustee a certificate of the District in the form set forth in Exhibit D.

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.01. Purchase Price.

(a) The Purchase Price to be paid by the District hereunder to the Agency 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 effective date hereof over the term hereof, subject to prepayment as provided in Article VII.

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

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.02 and Exhibit B, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder.

Section 4.02. Series 2024 Installment Payments. The District shall, subject to its rights of prepayment provided in Article VII, pay the Agency the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2024 Installment Payment Dates as set forth in Exhibit B.

Each Series 2024 Installment Payment shall be paid to the Agency in lawful money of the United States of America. In the event that the District fails to make any of the payments which are required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid, and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2024 Installment Payments if paid in accordance with their terms.

The obligation of the District to make the Series 2024 Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall 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 2024 Installment Payment which is 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 its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the 2024 Project has been completed, 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.

ARTICLE V

SECURITY

Section 5.01. Pledge of Revenues. All of the Revenues, all amounts held in the Revenue Fund, amounts that are transferred from the Rate Stabilization Reserve to the Revenue Fund as described in Section 5.05, and any other amounts (including proceeds of the sale of the 2024A Bonds) which are held in any fund or account that is established pursuant to the Installment Purchase Agreement (except the Rate Stabilization Reserve (other than those amounts which are transferred by

the District from the Rate Stabilization Reserve to the Revenue Fund)), are irrevocably pledged to the payment of the Series 2024 Installment Payments. Except for the payment of the Operation and Maintenance Costs, the Revenues shall not be used for any other purpose while any of the Series 2024 Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on Revenues, the Revenue Fund and the other funds and accounts that are created hereunder for the payment of the Series 2024 Installment Payments and all other Contracts and Bonds in accordance with the terms hereof and of the Indenture.

Section 5.02. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund is hereby established and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Moneys in the 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 Revenue Fund, pay all Operation and Maintenance Costs (including amounts which are reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All remaining moneys in the 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) 2024A Bond Payment Fund. On or before each Series 2024 Installment Payment Date, the District shall, from remaining moneys in the Revenue Fund, transfer to the Trustee for deposit in the 2024A Bond Payment Fund an amount that is equal to the interest and principal payable and coming due on the 2024A Bonds on the next succeeding Series 2024 Installment Payment Date. The District shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of the Contract, Bond, resolution or indenture relating thereto.

Any moneys which are on deposit in the 2024A Bond Payment Fund on each Series 2024 Installment Payment Date (other than amounts that are required for the payment of past due principal or interest with respect to any 2024A Bonds not presented for payment) shall be credited to the payment of the Series 2024 Installment Payments due and payable on such date. No deposit need be made in the 2024A Bond Payment Fund as Series 2024 Installment Payments if the amount in the 2024A Bond Payment Fund is at least equal to the amount of the Series 2024 Installment Payment that is due and payable on the next succeeding Series 2024 Installment Payment Date.

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

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

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

Section 5.03. Additional Contracts and Bonds. The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

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

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

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if aggregate Debt Service after the issuance of such Bonds or execution of such Contracts is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts. Furthermore, notwithstanding the foregoing, the District may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Revenues or money in the Revenue Fund as may from time to time be deposited therein subordinate to the Series 2024 Installment Payments.

Section 5.04. Investments. All moneys which are held by the District in the Revenue Fund shall be invested in Permitted Investments, and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein. All investment earnings on amounts in the Rate Stabilization Reserve shall be held in the Rate Stabilization Reserve.

Section 5.05. Rate Stabilization Reserve. There is hereby continued a special fund designated as the “Rate Stabilization Reserve” which is held by the District in trust hereunder, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as the Series 2024 Installment Payments remain unpaid. On the Closing Date, there will be at least [\$1,543,125] on deposit in the Rate Stabilization Reserve. Money transferred by the District from the Revenue Fund to the Rate Stabilization Reserve in accordance with Section 5.02(d) shall be held in the Rate Stabilization Reserve and applied in accordance herewith.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Reserve and transfer such amounts to the Revenue Fund for application in accordance with Section 5.02 hereof or, in the event that all or a portion of the Series 2024 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.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.01. Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Series 2024 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all of the agreements, conditions, covenants and terms contained herein which are required to be observed and performed by it, and will not terminate the 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 2024 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 Agency to observe or perform any agreement, condition, covenant or term which is contained herein and 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 Agency 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 of the agreements, conditions, covenants and terms which are 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 6.02. Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. In addition, the District may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein (as

provided in Section 5.02), provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.03. 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 which is necessary to secure adequate Revenues for the payment of the Series 2024 Installment Payments, or which would otherwise impair the rights of the Agency 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 2024 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

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

Section 6.04. 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 water system competitive with the Water System, as applicable.

Section 6.05. Tax Covenants. Notwithstanding any other provision of the Installment Purchase Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of the interest on the 2024A Bonds will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code which are necessary to preserve such exclusion from gross income with respect to the 2024A Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action and refrain from taking any action, and the District will make no use of the proceeds of the 2024A Bonds or of any other moneys or property, which would cause the 2024A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 2024A Bonds or of any other amounts or property, regardless of the source, and the District will not take any action or refrain from taking any action, which will cause the 2024A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the 2024A Bonds, and the District will not take or omit to take any action, that would cause the 2024A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code which is necessary to preserve the exclusion of interest on the 2024A Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2024A Bonds or any other amounts or property, regardless of the source, and the District will not take any action and refrain from taking any action, that would cause the 2024A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District 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 2024A Bonds for federal income tax purposes; and

(f) Miscellaneous. The District will not take any action and will refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2024A Bonds and will comply with the covenants and requirements that are stated therein and incorporated by reference herein.

This section and the covenants that are set forth herein shall not be applicable to, and nothing that is contained herein shall be deemed to prevent the District from causing the Agency to issue revenue bonds or issuing bonds or executing and delivering contracts that are payable on a parity with the 2024A Bonds, the interest with respect to which has been determined to be subject to federal income taxation.

Section 6.06. Prompt Acquisition and Construction. The District will take all necessary and appropriate steps to acquire and construct the 2024 Project, as agent of the Agency, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

Section 6.07. 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, operate the Water System in an efficient and economical manner and pay all Operation and Maintenance Costs as they become due and payable.

Section 6.08. 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 Revenues or the funds or accounts created hereunder or under the Indenture or on any funds in the hands of the District which are pledged to pay the Series 2024 Installment Payments or the Bonds, or which might impair the security of the Series 2024 Installment Payments.

Section 6.09. Compliance with Contracts. The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, which are required to be performed by it contained in all contracts for the use of the Water and all other contracts affecting or involving the Water System, to the extent that the District is a party thereto.

Section 6.10. Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the Water System, excluding coverage for earthquake damage or destruction, 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 that are similar to the Water System so long as such insurance is available at reasonable rates.

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, except as described in the following paragraph. 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 shall be applied in part to the prepayment of Series 2024 Installment Payments as provided in Article VII 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 2024 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 2024 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 2024 Installment Payments as provided in Article VII 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 Agency, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal water systems similar to the Water System.

(c) Any insurance that is 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 water systems similar to the Water System, as applicable, and is, in the opinion of an accredited actuary, actuarially sound.

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

Section 6.11. 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 Water System, which records shall be available for inspection by the Agency and the Trustee at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Agency or its assignee, annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ended June 30, 2024) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon. The Trustee shall have no obligation to review any such financial statements.

Section 6.12. Protection of Security and Rights of the Agency. The District will preserve and protect the security hereof and the rights of the Agency to the Series 2024 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.13. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof, or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.14. Amount of Rates and Charges.

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

(b) So long as the District has complied with its obligations set forth in subsection (a) above, the failure of Net Revenues to meet the thresholds set forth in subsection (a) above shall not constitute a default or an Event of Default hereunder or under the Indenture.

Section 6.15. Collection of Rates and Charges. Subject to State law and State executive orders, 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 to such customer's land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District may discontinue such service from the Water System, as applicable, and such service shall not thereafter be recommenced except in accordance with District by-laws or rules, regulations and the laws of the State of California governing such situations of delinquency.

Section 6.16. 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 Trustee a certificate showing: (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the Water System that are proposed to be acquired and constructed by the District from such Net Proceeds; and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (2) the District, on the basis of such certificate filed with the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed

with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the prepayment of the Series 2024 Installment Payments to be applied toward redemption of 2024A Bonds as provided in the Indenture 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 2024A Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.17. 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 Agency of the rights and benefits provided to it herein.

Section 6.18. Enforcement of Contracts. So long as any of the 2024A 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 if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay principal of and interest on the 2024A Bonds.

Section 6.19. Continued Existence of Agency. The District and the Agency will take or cause to be taken all actions reasonably necessary to continue the Agency's existence until such time as the 2024A Bonds are no longer Outstanding under the Indenture.

ARTICLE VII

PREPAYMENT OF SERIES 2024 INSTALLMENT PAYMENTS

Section 7.01. Prepayment.

(a) The District may or shall, as the case may be, prepay from Net Proceeds as provided herein the Series 2024 Installment Payments in whole, or in part, on any date in the order of payment date as directed by the District, at a prepayment price equal to the sum of the principal amount to be prepaid plus accrued interest thereon to the date of prepayment, without premium.

(b) The District may prepay the Series 2024 Installment Payments as a whole, or in part, on the Business Day prior to June 1, 20__ or any date thereafter in the order of payment date as directed by the District, at a prepayment price equal to the principal amount of the Series 2024 Installment Payments to be prepaid, together with accrued interest thereon to the date of prepayment, without premium.

(c) 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 Agency).

Section 7.02. Method of Prepayment. Before making any prepayment pursuant to Section 7.01, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Agency 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) (or such shorter number of days as is acceptable to the Trustee) days from the date that such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen:

(a) if default shall be made by the District in the due and punctual payment of any Series 2024 Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(b) if default shall be made by the District in the performance of any of the agreements or covenants which are required herein 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 Agency; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such 60 day period, and corrective action is instituted by the District within such 60 day period and diligently pursued in good faith until the default is corrected, such default will not be an Event of Default under the Installment Purchase Agreement; provided, however, that such extension of the cure period shall not be longer than 180 days from the delivery date of such default notice;

(c) 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

(d) 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 during the continuance of an Event of Default, the Agency shall, by notice in writing to the District, declare the entire principal amount of the unpaid Series 2024 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 2024 Installment Payments and the accrued interest thereon shall have been so declared due and payable, but before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Agency an amount that is sufficient to pay the unpaid principal amount of the Series 2024 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (a) 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 2024 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Agency, and any and all other defaults known to the Agency (other than in the payment of the entire principal amount of the unpaid Series 2024 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 Agency or provision deemed by the Agency to be adequate shall have been made therefor, then and in every such case the Agency, 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 8.02. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.01, all Revenues thereafter received by the District shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Trustee and its assigns and thereafter to the Agency, as the case may be, in carrying out the provisions of this article, including reasonable compensation to their respective accountants and counsel;

Second, to the payment of the Operation and Maintenance Costs; and

Third, to the payment of the entire principal amount of the unpaid Series 2024 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 2024 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms.

Section 8.03. Other Remedies of the Agency. The Agency 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 or her duties under the laws of the State of California and the agreements and covenants required to be performed by it or him or her contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Agency; 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 Agency shall have no security interest in or mortgage on the 2024 Project, the Water System or other assets of the District and no default hereunder shall result in the loss of the 2024 Project, the Water System or other assets of the District.

Section 8.04. 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 2024 Installment Payments to the Agency at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect or

impair the right of the Agency, 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 Agency 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 Agency to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or 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 that is conferred upon the Agency by the laws of the State of California or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Agency.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Agency, the District and the Agency shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.05. Remedies Not Exclusive. No remedy that is conferred upon or reserved to the Agency herein 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 laws of the State of California or any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.01. Discharge of Obligations. When:

(a) all or any portion of the Series 2024 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 2024 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 2024 Installment Payment Date or dates specified for prepayment, in trust for the benefit of the Agency or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2024 Installment Payments, sufficient moneys or a combination of sufficient moneys and non-callable Permitted Investments that are described in clause (A) of the definition thereof, the principal of and interest on which Permitted Investments when due will provide money that is sufficient in the opinion of an Independent Certified Public Accountant to pay all principal, prepayment premium, if any, and interest of such Series 2024 Installment Payments to their respective Series 2024 Installment Payment 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 Agency herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2024 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 moneys and such Permitted Investments applied to the payment of such Series 2024 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 prepared by or on behalf of the District and 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, as an overpayment of Series 2024 Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto, other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Series 2024 Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Series 2024 Installment Payments and shall be applied by the Trustee to the payment of the Series 2024 Installment Payments of the District.

ARTICLE X

MISCELLANEOUS

Section 10.01. Liability Limited. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Revenues, the Revenue Fund and the other funds provided herein for the payment of amounts due hereunder or for the performance of any agreements or covenants that are 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 2024 Installment Payments is a special obligation of the District payable from the Net Revenues and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.02. 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 Agency any right, remedy or claim under or pursuant hereto, and any agreement or covenant that is required herein to be performed by or on behalf of the District or the Agency shall be for the sole and exclusive benefit of the other party.

Section 10.03. Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Agency 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 Agency, and all agreements and covenants which are required hereby to be performed by or on behalf of the District or the Agency shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.04. Waiver of Personal Liability. No member, officer or employee of the District shall be individually or personally liable for the payment of the Series 2024 Installment Payments, but nothing contained herein shall relieve any member, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.05. 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 the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.06. 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 Agency 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 Agency hereby declare that they would have executed the 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 10.07. Assignment. The Installment Purchase Agreement and any rights hereunder may be assigned by the Agency, as a whole or in part, without the necessity of obtaining the prior consent of the District. In addition to the rights and remedies assigned by the Agency to the Trustee, to the extent that the Indenture and the Installment Purchase Agreement confer upon or give or grant to the Trustee any right, remedy or claim under or by reason of the Indenture or the 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.

Section 10.08. Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the Series 2024 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.09. California Law. THE 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: Walnut Valley Water District
271 South Brea Canyon Road
Walnut, California 91789
Attention: General Manager

If to the Agency: Puente Basin Water Agency
c/o Walnut Valley Water District
271 South Brea Canyon Road
Walnut, California 91789
Attention: Administrator

If to the Trustee: U.S. Bank Trust Company, National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90017
Attention: Corporate Trust

Section 10.11. Effective Date. The 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 Agency).

Section 10.12. Execution in Counterparts. The 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 Agency. The District hereby agrees to indemnify and hold harmless the Agency and its assigns and its officers and directors 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 its duties hereunder and under the Indenture; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Indenture by the Agency.

Section 10.14. Amendments Permitted.

(a) This Installment Purchase Agreement and the rights and obligations of the Agency and the District and of the Owners of the 2024A Bonds and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding upon the written consents of the Owners of a majority in aggregate principal amount of the 2024A Bonds then Outstanding, exclusive of 2024A Bonds disqualified as provided in Section 11.09 of the Indenture. No such modification or amendment may: (1) extend the fixed maturity of any 2024A Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2024A Bond so affected; or (2) reduce the aforesaid percentage of 2024A Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Installment Purchase Agreement prior to or on a parity with the lien created by the Installment Purchase Agreement except as permitted herein, or deprive the Owners of the 2024A Bonds of the lien created by the Indenture on such Revenues and other assets except as permitted herein, without the consent of the Owners of all of the 2024A Bonds then Outstanding.

(b) This Installment Purchase Agreement and the rights and obligations of the Agency and the District and of the Owners of the 2024A Bonds may also be modified or amended at any time by an amendment hereto which shall become binding upon adoption, without the consent of the Owners of any 2024A Bonds, but only 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 District contained in the Installment Purchase Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2024A Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the District; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Installment Purchase Agreement, or in regard to matters or questions arising under the Installment Purchase Agreement, as the District may deem necessary or desirable; and (3) to modify,

amend or supplement the Installment Purchase Agreement in such manner as to cause interest on the 2024A Bonds to remain excludable from gross income under the Code. No amendment without consent of the Owners may modify any of the rights or obligations of the Trustee without the written consent thereto, and prior to so consenting, the Trustee shall be entitled to receive and rely on an opinion of counsel to the effect that such amendment complies with the terms hereof.

Section 10.15. Paired Obligation Provider Guidelines. For purposes of Sections 5.03 and 6.14, Paired Obligations shall comply with the following conditions:

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

(b) So long as the long-term rating of the Paired Obligation Provider is not reduced below BBB by S&P or Baa2 by Moody's, the interest rate of such Paired Obligation shall be deemed to be equal to the irrevocable fixed interest rate attributable thereto for purposes of Sections 5.03 and 6.14.

In the event that a Paired Obligation Provider does not maintain the Minimum Rating Requirement and the District does not replace such Paired Obligation Provider with another Paired Obligation Provider which maintains the Initial Rating Requirement within ten (10) Business Days of notice that the Paired Obligation Provider has not maintained the Minimum Rating Requirement, interest with respect to such Paired Obligations shall be computed for purposes of Sections 5.03 and 6.14 without regard to payments to be received from the Paired Obligation Provider. The Trustee has no obligation to monitor the ratings of any Paired Obligation Providers.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed and attested this Installment Purchase Agreement by their officers thereunto duly authorized as of the day and year first written above.

WALNUT VALLEY WATER DISTRICT

By: _____
President

ATTEST:

Secretary

PUENTE BASIN WATER AGENCY

By: _____
Chair

ATTEST:

Secretary

EXHIBIT A
DESCRIPTION OF THE 2024 PROJECT

EXHIBIT B

PURCHASE PRICE

1. The principal amount of payments to be made by the District hereunder is \$_____.

2. The Series 2024 Installment Payments of principal and interest are payable in the amounts and on the Series 2024 Installment Payment Dates as follows:

<i>Installment Payment Date (Business Day Prior to)</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total Series 2024 Installment Payment</i>
---	---	--	--

<i>Installment Payment Date (Business Day Prior to)</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total Series 2024 Installment Payment</i>
---	---	--	--

EXHIBIT C

FORM OF SUBSTITUTION STATEMENT

Puente Basin Water Agency
c/o Walnut Valley Water District
271 South Brea Canyon Road
Walnut, California 91789
Attention: General Manager

U.S. Bank Trust Company, National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90017
Attention: Corporate Trust

The undersigned General Manager of the Walnut Valley Water District (the “District”) hereby states pursuant to Section 3.02 of the Installment Purchase Agreement, dated as of _____ 1, 2024 (the “Installment Purchase Agreement”), by and between Puente Basin Water Agency and the District, that each component of the 2024 Project (as such term is defined in the Installment Purchase Agreement) described in the first column of Exhibit A attached hereto, with an estimated cost set forth in the second column of Exhibit A, will be replaced by the corresponding improvement described in the third column of Exhibit A with an estimated cost set forth in the fourth column of Exhibit A.

Dated: _____, 20__

General Manager

EXHIBIT A

<i>Components of 2024 Project to be Replaced</i>	<i>Cost of Each Components of 2024 Project to be Replaced</i>	<i>Improvements to be Substituted</i>	<i>Cost of Each Improvement to be Substituted</i>
--	---	---	---

EXHIBIT D

FORM OF REQUISITION FROM ACQUISITION FUND

\$ _____
PUENTE BASIN WATER AGENCY
WATER REVENUE BONDS, SERIES 2024A

REQUISITION NO. ____ FOR
DISBURSEMENT FROM ACQUISITION FUND

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting General Manager of the Walnut Valley Water District, a municipal corporation that is organized and existing under the Constitution and laws of the State of California (the "District"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.06 of that certain Installment Purchase Agreement, dated as of _____ 1, 2024 (the "Installment Purchase Agreement"), by and between the Puente Basin Water Agency and the District, the undersigned hereby requests U.S. Bank Trust Company, National Association, as trustee for the above-captioned obligations, to disburse this date the following amounts from the Acquisition Fund established under the Indenture relating to the above-captioned obligations, to the payees designated on the attached Exhibit A;

(iii) that each obligation mentioned herein has been incurred by the District and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit A has been received and is final; and

(v) that there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit A, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Dated: _____, 20____

WALNUT VALLEY WATER DISTRICT

By: _____
General Manager

EXHIBIT A

ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
------------------------	-------------------------------	------------------------------	---------------

INDENTURE OF TRUST

Dated as of _____ 1, 2024

by and between

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

and the

PUENTE BASIN WATER AGENCY

Relating to

**\$ _____
PUENTE BASIN WATER AGENCY
WATER REVENUE BONDS, SERIES 2024A**

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01.	Definitions	3
Section 1.02.	Content of Certificates and Opinions	9
Section 1.03.	Interpretation.....	9

ARTICLE II

THE BONDS

Section 2.01.	Authorization of Bonds.....	10
Section 2.02.	Terms of the Bonds.....	10
Section 2.03.	Transfer of Bonds	11
Section 2.04.	Exchange of Bonds	11
Section 2.05.	Registration Books.....	12
Section 2.06.	Form and Execution of Bonds	12
Section 2.07.	Bonds Mutilated, Lost, Destroyed or Stolen.....	12
Section 2.08.	Book-Entry System.....	13

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Section 3.01.	Issuance of the Bonds	15
Section 3.02.	Application of Proceeds of the Bonds	15
Section 3.03.	Establishment and Application of Costs of Issuance Fund.....	16
Section 3.04.	Acquisition Fund	16
Section 3.05.	Validity of Bonds.....	16

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01.	Terms of Redemption	17
Section 4.02.	Selection of Bonds for Redemption.....	18
Section 4.03.	Notice of Redemption.....	18
Section 4.04.	Partial Redemption of Bonds.....	18
Section 4.05.	Effect of Redemption.....	19

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01.	Pledge and Assignment; 2024A Bond Payment Fund.....	19
Section 5.02.	Allocation of Agency Revenues	20

TABLE OF CONTENTS

(continued)

	<u>Page</u>
Section 5.03.	Application of Interest Account..... 20
Section 5.04.	Application of Principal Account 20
Section 5.05.	Application of Redemption Fund 20
Section 5.06.	Investments 20
Section 5.07.	Rebate Fund 21
Section 5.08.	Application of Funds and Accounts When No Bonds are Outstanding 23

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01.	Punctual Payment 23
Section 6.02.	Extension of Payment of Bonds 23
Section 6.03.	Against Encumbrances 23
Section 6.04.	Power to Issue Bonds and Make Pledge and Assignment 24
Section 6.05.	Accounting Records and Financial Statements 24
Section 6.06.	Tax Covenants 24
Section 6.07.	Payments Under Installment Purchase Agreement..... 25
Section 6.08.	Waiver of Laws..... 25
Section 6.09.	Further Assurances 25
Section 6.10.	Eminent Domain 25

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Section 7.01.	Events of Default 25
Section 7.02.	Remedies Upon Event of Default 26
Section 7.03.	Application of Agency Revenues and Other Funds After Default 27
Section 7.04.	Trustee to Represent Bond Owners 27
Section 7.05.	Bond Owners' Direction of Proceedings 28
Section 7.06.	Suit by Owners 28
Section 7.07.	Absolute Obligation of the Agency 29
Section 7.08.	Remedies Not Exclusive..... 29
Section 7.09.	No Waiver of Default 29

ARTICLE VIII

THE TRUSTEE

Section 8.01.	Duties, Immunities and Liabilities of Trustee 29
Section 8.02.	Merger or Consolidation..... 30
Section 8.03.	Liability of Trustee 31
Section 8.04.	Right to Rely on Documents..... 33
Section 8.05.	Preservation and Inspection of Documents 34
Section 8.06.	Compensation and Indemnification 34

TABLE OF CONTENTS
(continued)

Page

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01.	Amendments Permitted	34
Section 9.02.	Effect of Supplemental Indenture	35
Section 9.03.	Endorsement of Bonds; Preparation of New Bonds	35
Section 9.04.	Amendment of Particular Bonds	36

ARTICLE X

DEFEASANCE

Section 10.01.	Discharge of Indenture	36
Section 10.02.	Discharge of Liability on Bonds	37
Section 10.03.	Deposit of Money or Securities with Trustee	37
Section 10.04.	Payment of Bonds After Discharge of Indenture.....	37

ARTICLE XI

MISCELLANEOUS

Section 11.01.	Liability of Agency Limited to Agency Revenues	38
Section 11.02.	Successor Is Deemed Included in All References to Predecessor	38
Section 11.03.	Limitation of Rights to Parties and Bond Owners	38
Section 11.04.	Waiver of Notice; Requirement of Mailed Notice.....	38
Section 11.05.	Destruction of Bonds	39
Section 11.06.	Severability of Invalid Provisions	39
Section 11.07.	Notices	39
Section 11.08.	Evidence of Rights of Bond Owners	39
Section 11.09.	Disqualified Bonds	39
Section 11.10.	Money Held for Particular Bonds.....	40
Section 11.11.	Funds and Accounts.....	40
Section 11.12.	Waiver of Personal Liability	40
Section 11.13.	Execution in Several Counterparts	40
Section 11.14.	CUSIP Numbers	40
Section 11.15.	Choice of Law.....	41
Section 11.16.	Notice to Rating Agencies	41
Signatures	S-1
Exhibit A	Form of Bond.....	A-1

INDENTURE OF TRUST

THE INDENTURE OF TRUST is made and entered into and dated as of ____ 1, 2024, by and between the PUENTE BASIN WATER AGENCY, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California (the “**Agency**”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association that is duly organized and existing under the laws of the United States of America, as trustee hereunder (the “**Trustee**”).

RECITALS

A. The Agency has been created pursuant to the JPA Agreement with the powers, among others, to issue bonds and to finance water facilities on behalf of its members.

B. The Walnut Valley Water District (the “**District**”), a member of the Agency, has determined that it is in the best interest of the public to finance certain improvements to its Water System with the assistance of the Agency.

C. The Agency is authorized pursuant to State law, including but not limited to, Section 6588(c) of the Government Code of the State of California (the “**Government Code**”) and pursuant to Section B.2. of the JPA Agreement to incur indebtedness to finance such improvements, and is authorized pursuant to State law, including but not limited to Section 6588(m) of the Government Code, to assign and pledge to the repayment of such indebtedness amounts payable to the Agency by its members.

D. The District has determined that it is in the District’s best interest to finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its Water System consisting primarily of a new administrative building and renovations to the District’s existing administrative building (collectively, the “**2024 Project**”), as further described in the Installment Purchase Agreement.

E. The Agency hereby finds pursuant to Section 6586 of the Government Code that the issuance of the bonds that are authorized pursuant to Section 2.01 hereof (the “**Bonds**”) to finance the 2024 Project will have demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs and significant reductions in effective user charges levied by the District.

F. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the Agency has authorized the execution and delivery of the Indenture.

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

GRANTING CLAUSES

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

FIRST

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

SECOND

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

THIRD

All of the rights, title, and interest (but no obligations) of the Agency in the Installment Purchase Agreement, including all rights of the Agency to receive payments thereunder and all rights of the Agency thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the Installment Purchase Agreement) or otherwise to protect the interest of the Owners of the Bonds, subject to the terms hereof, and excepting therefrom any rights to give consents or approvals, to indemnification or to receive notices thereunder.

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

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

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

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

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms that are defined in this Section 1.01 shall, for all purposes of the Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Unless the context otherwise requires, all capitalized terms that are used herein and not defined have the meanings ascribed thereto in the Installment Purchase Agreement.

Acquisition Fund. The term “Acquisition Fund” means the fund by that name established pursuant to Section 3.04.

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

Agency Revenues. The term “Agency Revenues” means: (a) all Series 2024 Installment Payments received by the Agency or the Trustee pursuant to or with respect to the Installment Purchase Agreement; and (b) all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder.

Authorized Representative. The term “Authorized Representative” means with respect to the Agency, the Chair, the Vice Chair, the Administrative Officer, the Treasurer or the Secretary or any other person designated as an Authorized Representative of the Agency by a Certificate of the Agency signed by the Chair, the Vice Chair, the Administrative Officer, the Treasurer or the Secretary and filed with the Trustee.

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

Bond Year. The term “Bond Year” has the meaning that is set forth in the Tax Certificate.

Bonds. The term “Bonds” means the Puente Basin Water Agency Water Revenue Bonds, Series 2024A issued by the Agency and at any time Outstanding pursuant to the Indenture.

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

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

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

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

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

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

Defeasance Obligations. The term “Defeasance Obligations” means the investments described in part (A) of the definition of “Permitted Investments.”

Depository; DTC. The terms “Depository” and “DTC” mean The Depository Trust Company, New York, New York, a limited purpose trust company that is organized under the laws of the State of New York, in its capacity as securities depository for the Bonds.

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

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

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

Government Code. The term “Government Code” means the Government Code of the State.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of ____ 1, 2024, by and between the Agency and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

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

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of the date hereof, by and between the Agency and the District, as amended from time to time.

Interest Account. The term “Interest Account” means the account by that name in the 2024A Bond Payment Fund established pursuant to Section 5.01.

Interest Payment Date. The term “Interest Payment Date” means ____ 1, 20__ and each June 1 and December 1 thereafter.

Investment Agreement. The term “Investment Agreement” means an investment agreement by a provider, supported by appropriate opinions of counsel, provided that any such Investment Agreement shall: (i) be from a provider rated by S&P or Moody’s at “A-” or “A3”, respectively, or above; (ii) require the Agency or the District to terminate such agreement and immediately reinvest the proceeds thereof in other Permitted Investments if the rating assigned to the provider by S&P or Moody’s falls to “BBB” or “Baa2”, respectively, or below; and (iii) expressly permit the withdrawal, without penalty, of any amounts necessary at any time to fund any deficiencies on account of debt service requirements with respect to the Bonds, together with such amendments as may be approved by the Agency and the Trustee (which may rely on the direction of the Agency, without liability) from time to time.

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

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

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

Office. The term “Office” means with respect to the Trustee, the corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90017, Attention: Corporate Trust, Reference: Puente Basin Water Agency 2024A Water Bonds, or such other or additional offices as may be specified in writing by the Trustee to the Agency, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

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

Outstanding. The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds with respect to which all liability of the Agency shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.10; and (iii) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

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

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

Permitted Investments. The term “Permitted Investments” means any of the following which at the time are legal investments under the laws of the State for moneys held hereunder and then proposed to be invested therein:

(A) for all purposes, including defeasance investments in refunding escrow accounts: (1) United States Government securities, defined as direct obligations of the United States of America and securities fully and unconditionally guaranteed as to timely payment by the United States of America, including but not limited to Treasury bonds, bills, and notes, Resolution Funding Corporation Interest STRIPS, and United States Agency for International Development guaranteed notes; (2) federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises or corporations; (3) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, and eligible for purchase and sale within the United States, rated in a rating category of “AA” or its equivalent or better by a nationally recognized statistical rating organization (referred to in this definition of Permitted Investments as an “NRSRO”); (4) pre-refunded municipal bonds rated “AAA” or its equivalent by an NRSRO; and (5) any securities stripped from obligations defined in clauses A(1) through A(4) above; and

(B) for all purposes other than defeasance investments in refunding escrow accounts: (1) corporate and depository institution debt securities with a maximum remaining maturity of five (5) years or less, issued by corporations, financial institutions, non-profits, or other entities organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States (not to include other investment securities), which are rated in a rating category of “A” or its equivalent or better by an NRSRO; (2) obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision,

public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state which are rated in a rating category of “A” or its equivalent or better by an NRSRO; (3) negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally-licensed or state-licensed branch of a foreign bank that are rated in a rating category of “A” (long-term) or “A-1” (short-term) or their equivalents or better by an NRSRO; (4) bank deposits, including certificates of deposit (including those placed by a third party pursuant to a separate agreement between the Agency and the Trustee), time deposits, demand deposits, other deposit products, trust funds, trust accounts, interest bearing deposits, interest bearing money market accounts, overnight bank deposits or bankers’ acceptances, with a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company (which may be the Trustee or any of its affiliates), having an office in the State; provided that such deposits shall be continuously insured by the Federal Deposit Insurance Corporation; (5) commercial paper rated “A-1” or its equivalent or better by an NRSRO, which purchases may not exceed two hundred seventy (270) days maturity; (6) bank deposits, including certificates of deposit (including those placed by a third party pursuant to a separate agreement between the Agency and the Trustee), time deposits, demand deposits, other deposit products, trust funds, trust accounts, interest bearing deposits, interest bearing money market accounts, overnight bank deposits or bankers’ acceptances issued by domestic or foreign banks (including the Trustee or any of its affiliates), which are eligible for purchase by the Federal Reserve System, the short-term obligations of which are rated “A-1” or its equivalent or better by two NRSROs, which purchases may not exceed one hundred eighty (180) days maturity; (7) government money market mutual funds as defined by Securities and Exchange Commission Rule 2a-7(a)(16); (8) shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 of the California Government Code; provided that such investments shall be restricted to those pooled programs that seek to maintain a stable net asset value; (9) the Local Agency Investment Fund of the State of California; (10) term repurchase agreements with any financial institution or corporation (including the Trustee or any of its affiliates) that at the time of investment has long-term obligations rated in a rating category of “A” or its equivalent or better by an NRSRO, provided that obligations shall be valued at least weekly and posted at a margin of 102% with a third-party custodian; (11) Investment Agreements; (12) forward delivery agreements with any financial institution or corporation that at the time of investment has long-term obligations rated “BBB-” or its equivalent or better by an NRSRO provided that eligible deliverables shall consist of obligations described in sections (A)(1) and (2); and (13) money market mutual funds having a rating in the highest investment category granted thereby from S&P or Moody’s, including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

Principal Account. The term “Principal Account” means the account by that name in the 2024A Bond Payment Fund established pursuant to Section 5.01.

Rating Agencies. The term “Rating Agencies” means S&P, Moody’s and Fitch.

Rebate Fund. The term “Rebate Fund” means the fund by that name established pursuant to Section 5.07.

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

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

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

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

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

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

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

Securities Depositories. The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Agency may designate in a Request of the Agency delivered to the Trustee.

State. The term “State” means the State of California.

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

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the Bonds issued by the Agency on the date of issuance of the Bonds, including any and all exhibits attached thereto.

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

2024A Bond Payment Fund. The term “2024A Bond Payment Fund” means the fund by that name established pursuant to Section 5.01(c).

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion that is provided for in the Indenture, except the certificate of destruction that is provided for in Section 11.05 hereof, with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he or she has made or caused to be made such examination or investigation as is necessary to enable such person to express an informed opinion with respect to the subject matter referred to in the instrument to which such person's signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

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

Section 1.03. Interpretation.

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

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

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

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds. The Agency hereby authorizes the issuance hereunder from time to time of the Bonds, which shall constitute special obligations of the Agency, for the purpose of financing the 2024 Project. The Bonds are hereby designated the “Puente Basin Water Agency Water Revenue Bonds, Series 2024A” in the aggregate principal amount of \$_____. The Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds to secure the full payment of the principal of and interest and premium (if any) on all the Bonds, subject to the covenants, provisions and conditions herein contained.

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

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

<i>Maturity Date (June 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
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* Term Bond.

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears

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

Each Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before ____ 15, 20__, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

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

Whenever any Bond or Bonds shall be surrendered for transfer, the Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge that is required to be paid with respect to such transfer. Following any transfer of Bonds, the Trustee will cancel and destroy the Bonds that 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 Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

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

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the Agency, the District and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 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 and Redemption Price of such Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such Bond to the extent of the sum or sums so paid.

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

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

Section 2.07. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Agency, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor, series and authorized denomination in exchange and substitution for the Bonds 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 upon the written request of the Agency delivered to, or upon the order of, the Agency. 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 be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor, series and authorized denomination in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof). The Agency may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Agency and the Trustee in the premises. Any Bond issued under the provisions of this Section

in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Agency whether or not the Bond so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds secured by the Indenture. 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 2.08. Book-Entry System.

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

With respect to book-entry Bonds, the Agency 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 Agency 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 that the Agency redeems the Bonds in part; or (iv) the payment by the Depository or any Participant or any other person of any amount of principal of, premium, if any, or interest on book-entry Bonds. The Agency 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 of, 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 of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the Bond Registration Books, or his or her respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to payment of principal of, premium, if any, and interest on 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 of, premium, if any, and interest on the Bonds. Upon delivery by the Depository to the Agency and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry Bonds for the Depository's book-entry system, the Agency shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way

impose upon the Agency 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 Registration Books. In addition to the execution and delivery of a Letter of Representations, the Agency and the Trustee, if necessary, shall take such other actions, not inconsistent with the 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 Agency determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Bonds or the Agency, then the Agency will discontinue the book-entry system with the Depository. If the Agency determines to replace the Depository with another qualified securities depository, the Agency 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 Agency 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 Registration Books 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 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the 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 of principal of, redemption premium, if any, and interest on such Bonds and all notices with respect to such 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 notwithstanding any inconsistent provisions herein.

(e) Transfer of Bonds to Substitute Depository.

(i) The Bonds shall be initially issued 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 Section 2.08(e) (a “**Substitute Depository**”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

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

(C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the Agency 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 Section 2.08(e), upon receipt of all Outstanding Bonds by the Trustee, together

with a written request of the Agency to the Trustee designating the Substitute Depository, a single new Bond, which the Agency shall prepare or cause to be prepared, shall be issued for each 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 Agency. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Agency to the Trustee, new Bonds, which the Agency shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such written request of the Agency, 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 Agency.

(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 and the records of the Trustee as to the outstanding principal amount of such Bonds shall be controlling.

(iv) The Agency 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 the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Agency; and the Agency 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 Agency 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

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

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

Section 3.02. Application of Proceeds of the Bonds. The proceeds received by the Trustee from the sale of the Bonds shall be deposited in trust with the Trustee, who shall apply such proceeds as follows pursuant to a Direction of the Agency or the District:

(a) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Fund.

(b) The Trustee shall deposit the amount of \$_____ in the Acquisition Fund to finance a portion of the costs of the 2024 Project.

The Trustee may establish temporary funds or accounts in its records to facilitate and record the above transfer of proceeds.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Requisitions of the Agency, on which the Trustee is entitled to rely conclusively, without investigation, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is a proper charge against said fund and that payment for such charge has not previously been made. On the six month anniversary of the Closing Date, or upon the earlier Request of the Agency, all amounts remaining in the Costs of Issuance Fund shall be deposited in the Interest Account and the Costs of Issuance Fund shall be closed.

Section 3.04. Acquisition Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Acquisition Fund.” The moneys in the Acquisition Fund shall be held by the Trustee in trust and applied to the payment of the costs of acquisition and construction of the 2024 Project and of expenses incidental thereto.

Before any payment is made from the Acquisition Fund by the Trustee, the General Manager, acting as agent of the Agency, shall cause to be filed with the Trustee a certificate of the District in the form set forth in Exhibit D to the Installment Purchase Agreement.

Upon receipt of each such certificate, on which the Trustee is entitled to rely conclusively, without investigation, the Trustee will pay the amount that is set forth in such certificate as directed by the terms thereof or disburse funds to the District for such payment as directed by the District in such certificate. The Trustee need not make any such payment if it has received notice of any lien, right to lien, attachment upon or claim affecting the right to receive payment of any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the 2024 Project shall have been constructed and acquired in accordance with the Installment Purchase Agreement, a statement of the District stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Trustee by the General Manager. Upon the receipt of such statement, the Trustee shall transfer any remaining balance in the Acquisition Fund which is not needed for Acquisition Fund purposes (but less the amount of any such retention, which amount shall be certified to the Trustee by the General Manager) to the 2024A Bond Payment Fund for payment of Bonds in accordance herewith.

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

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Terms of Redemption.

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

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

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

* Final Maturity.

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

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

* Final Maturity.

If some but not all of the Bonds maturing on June 1, 20__ or June 1, 20__ are redeemed pursuant to subsections (a) or (c), the principal amount of the applicable Bonds to be redeemed pursuant to this subsection (b) on any subsequent June 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the Agency in a Certificate of the Agency filed with the Trustee; provided,

however, that the aggregate amount of such reductions shall not exceed the aggregate amount of the applicable Bonds redeemed pursuant to subsections (a) or (c).

(c) The Bonds shall be 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 Agency in a Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, Sections 6.10 and 6.16 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 for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds for redemption as a whole or in part on any date as directed by the Agency and by lot within each maturity in integral multiples of \$5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the Agency in writing of the numbers of the Bonds or portions thereof so selected for redemption.

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

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys that are 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.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Bond or Bonds of authorized denominations equal in aggregate

principal amount to the unredeemed portion of the Bonds surrendered and of the same series, interest rate and maturity.

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

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

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01. Pledge and Assignment; 2024A Bond Payment Fund.

(a) All of the Agency Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account that is established pursuant to the Indenture (except the Rebate Fund) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a lien on and security interest in such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Agency, irrespective of whether such parties have notice hereof.

(b) The Agency, for good and valuable consideration in hand received, does hereby irrevocably assign and transfer to the Trustee without recourse, for the benefit of the Owners of the Bonds as set forth herein, all of its rights, title, and interest in all Series 2024 Installment Payments payable by the District pursuant to the Installment Purchase Agreement, including all rights of the Agency thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the Installment Purchase Agreement, or otherwise to protect the interest of the Owners of the Bonds). Such assignment shall be subject to and limited by the terms of the Indenture.

(c) There is hereby established with the Trustee the 2024A Bond Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any Series 2024 Installment Payments remain unpaid. Except as directed in Sections 5.06 and 5.08, all Agency Revenues shall be promptly deposited by the Trustee upon receipt thereof into the 2024A Bond Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All Agency Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as

provided in the Indenture. The Trustee shall also create and maintain an Interest Account and a Principal Account within the 2024A Bond Payment Fund.

Section 5.02. Allocation of Agency Revenues. The Trustee shall transfer from the 2024A Bond Payment Fund and deposit into the following respective accounts the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Agency Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the day preceding each date on which the interest on the Bonds shall become due and payable hereunder, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding.

(b) Not later than the day preceding each date on which the principal of the Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date.

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

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

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

Section 5.06. Investments. All moneys in any of the funds or accounts that are established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, which will, as nearly as practicable, mature on or before the dates when such moneys are

anticipated to be needed for disbursement. Such investments shall be directed by the Agency pursuant to a Request of the Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions shall be promptly confirmed to the Trustee in writing). In the absence of any such directions from the Agency, the Trustee shall invest any such moneys in Permitted Investments that are described in clause (B)(7) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the District specifying a specific money market fund and, if no such written direction from the District is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder (except for interest or gain derived from the Permitted Investment described in clause (B)(8) of the definition thereof, which shall be retained in such Permitted Investment) shall be deposited in the Interest Account unless otherwise provided in the Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds (other than the Rebate Fund) held by it hereunder upon the Request of the Agency. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.06. The Trustee is entitled to rely on the Agency's investment direction as to the suitability and legality of the directed investments.

The Agency acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Agency further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the Agency with periodic cash transaction statements which shall include detail for all investment transactions effected by the Trustee hereunder. Upon the Agency's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request.

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

The Agency shall invest, or cause to be invested, all moneys in any fund or accounts established with the Trustee as provided in the Tax Certificate.

In making any market valuations of investments hereunder, the Trustee may utilize and rely conclusively and without liability on generally recognized securities pricing services that may be available to the Trustee, including brokers and dealers in securities, and including those that are available through the Trustee's accounting system.

Section 5.07. Rebate Fund.

(a) Establishment. The Trustee shall establish a separate fund designated the "Rebate Fund" when required in accordance herewith. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds will

not be adversely affected, the Agency 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 for the Bonds shall be governed by this Section and the Tax Certificate for the Bonds, unless and to the extent that the Agency 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. Notwithstanding anything to the contrary herein or in the Tax Certificate, the Trustee: (i) shall be deemed conclusively to have complied with the provisions thereof if it follows all Requests of the Agency; (ii) shall have no liability or responsibility to enforce compliance by the Agency with the terms of the Tax Certificate; (iii) may rely conclusively on the Agency's calculations and determinations and certifications relating to rebate matters; and (iv) shall have no responsibility to independently make any calculations or determinations or to review the Agency's calculations or determinations thereunder.

(i) Computation. Within 55 days of the end of each fifth Bond Year (as such term is defined in the Tax Certificate), the Agency 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 exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), 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 Agency 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 each fifth Bond Year, upon the Request of the Agency, an amount shall be deposited to the Rebate Fund by the Trustee from any Agency Revenues legally available for such purpose (as specified by the Agency in the aforesaid 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 clause (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 Request of the Agency, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the 2024A Bond Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Request of the Agency, 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 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 of the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and 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 Agency 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 Internal Revenue Service Form 8038-T (prepared by the Agency), 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 of the Bonds and the payments described in subsection (a) above being made may be withdrawn by the Agency and utilized in any manner by the Agency.

(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.

Section 5.08. Application of Funds and Accounts When No Bonds are Outstanding. On the date on which all Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the Agency for distribution in accordance with the Installment Purchase Agreement.

ARTICLE VI

PARTICULAR COVENANTS

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

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

Section 6.03. Against Encumbrances. The Agency shall not create, or permit the creation of, any pledge, lien, charge or other encumbrances upon the Agency Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Agency expressly reserves the right

to enter into one or more other indentures for any of its corporate purposes, including other programs under the JPA Agreement, and reserves the right to issue other obligations for such purposes.

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

Section 6.05. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions that are undertaken by it relating to the proceeds of Bonds, the Agency Revenues and all funds and accounts that have been established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the Agency and the District upon reasonable prior notice during business hours and under reasonable circumstances.

Section 6.06. Tax Covenants. Notwithstanding any other provision of the Indenture or the Installment Purchase Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of the interest on the Bonds will not be adversely affected for federal income tax purposes, the Agency covenants to comply with all applicable requirements of the Code that are necessary to preserve such exclusion from gross income with respect to the Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Agency will take no action and refrain from taking any action, and the Agency will make no 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 Agency will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, and the Agency will not 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 Guarantee. The Agency will make no use of the proceeds of the Bonds, and the Agency will not 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 Agency will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code which is necessary to preserve the exclusion of interest on the Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The Agency will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, and the Agency will not take any action and will refrain from taking any action, that would cause the Bonds to be considered “hedge bonds” within

the meaning of Section 149(g) of the Code unless the Agency 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 Agency will not take any action and will refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the Agency in connection with the issuance of the Bonds and will comply with the covenants and requirements that are stated therein and incorporated by reference herein.

This Section and the covenants that are set forth herein shall not be applicable to, and nothing that is contained herein shall be deemed to prevent the Agency from issuing revenue bonds or executing and delivering contracts that are payable on a parity with the Bonds, the interest with respect to which has been determined to be subject to federal income taxation.

Section 6.07. Payments Under Installment Purchase Agreement. The Agency shall promptly collect all Series 2024 Installment Payments due from the District pursuant to the Installment Purchase Agreement and, subject to the provisions of Article VIII, shall enforce and take all steps, actions and proceedings which the Agency or the Trustee determines to be reasonably necessary for the enforcement of all of the obligations of the District thereunder.

The Agency shall not enter into any amendments to the Installment Purchase Agreement except as permitted therein. The Trustee shall give written consent only if: (a) such amendment, modification or termination will not materially adversely affect the interests of the Bond Owners, as evidenced by an opinion of counsel delivered to the Trustee; or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment, modification or termination.

Section 6.08. Waiver of Laws. The Agency shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Agency to the extent permitted by law.

Section 6.09. Further Assurances. The Agency will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Section 6.10. Eminent Domain. If all or any part of the Water System shall be taken by eminent domain proceedings (or sold to a government entity that is threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be applied in the manner that is specified in Section 6.16 of the Installment Purchase Agreement.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

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

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

(d) The Agency shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or a court of competent jurisdiction shall approve a petition filed with or without the consent of the Agency 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 Agency or of the whole or any substantial part of its property.

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

Nothing contained in the Indenture shall permit or require the Trustee or the Agency to accelerate payments due under the Installment Purchase Agreement if the District, which is a party to such Installment Purchase Agreement, is not in default of its obligation thereunder.

Any such declaration is subject to the condition that if, at any time after such declaration, but before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency or the District shall deposit with the Trustee an amount that is sufficient to pay all the principal of and installments of interest on the Bonds the 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 that is 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 affect any subsequent Event of Default or impair or exhaust any right or power consequent thereon.

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

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

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

(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 the Indenture, in the following order of priority:

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

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount that is 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; and

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

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 the 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 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 is deemed 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 the 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 Agency Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the 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 the Indenture.

Section 7.05. Bond Owners' Direction of Proceedings. Anything in the 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 that are executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners who are not parties to such direction (the Trustee having no duty to make such determination).

Section 7.06. Suit by Owners. 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 the Indenture, the Installment Purchase Agreement, the JPA 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 not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction which is 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.

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 their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Installment Purchase Agreement, the JPA 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 the Indenture.

Section 7.07. Absolute Obligation of the Agency. Nothing in this Section or in any other provision of the Indenture or in the Bonds shall affect or impair the obligation of the Agency, 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 Agency 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. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. 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.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Duties, Immunities and Liabilities of Trustee.

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

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

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

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the retiring Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee that is appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all of the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property that is subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Agency shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Agency.

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

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

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds shall be taken as statements of the Agency, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture, the Bonds or the Installment Purchase Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

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

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

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

(e) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or under the Installment Purchase Agreement or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder or under the Installment Purchase Agreement unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the Agency or the Owners of not less than twenty-five percent (25%) of the Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Agency or the District of any of the terms, conditions, covenants or agreements herein, or under the Installment Purchase Agreement, of any of the documents executed in connection with the Bonds or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral that is given to or held by it.

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

(g) The Trustee shall be under no obligation to exercise any of the rights or powers that are vested in it by the Indenture, including at the request or direction of Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy that is conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

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

(i) The Trustee shall have no responsibility 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.

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

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

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, pandemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosions, mob violence, riots, action of civil or military authority, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the 2024 Project, malicious mischief, condemnation and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to the Indenture and delivered using Electronic Means (“**Electronic Means**”), which 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 Agency 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 Agency whenever a person is to be added or deleted from the listing. If the Agency elects to give the Trustee Instructions using Electronic Means and the Trustee acts upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Agency understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The

Agency shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Agency and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Agency. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The Agency agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Agency; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedure.

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

(o) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

(p) In acting or omitting to act pursuant to the Installment Purchase Agreement or any other documents executed in connection herewith or therewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Indenture and the Installment Purchase Agreement, including, but not limited to, this Article VIII.

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

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

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

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

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

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

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted.

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

notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

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

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

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

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

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code.

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

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

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

Section 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Agency so determines

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

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

ARTICLE X

DEFEASANCE

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

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

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

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

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

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

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

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

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

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

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

Section 10.04. Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys which are held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and which remain unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due

and payable, shall be repaid (without liability for interest) to the Agency free from the trusts created by the Indenture upon receipt of an indemnification agreement that is acceptable to the Agency and the Trustee indemnifying the Trustee with respect to claims of Owners of Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Agency as aforesaid, the Trustee shall at the written direction of the Agency (at the cost of the Agency) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Agency of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

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

The Bonds are not a debt of the members of the Agency, the State or any of its political subdivisions (other than the Agency) and neither the members of the Agency, said State nor any of its political subdivisions (other than the Agency) is liable thereon. The District shall have no liability or obligation herein except with respect to Series 2024 Installment Payments payable under the Installment Purchase Agreement.

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

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

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

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

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

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

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

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

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

Section 11.09. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are actually known by a Responsible Officer of the Trustee

to be owned or held by or for the account of the Agency, or by any other obligor on the Bonds, or by any person that is directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Agency or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all Bonds are so owned or held, in which case no such Bonds shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person that is directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Agency or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the Agency shall certify to the Trustee those Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

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

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

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

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

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

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

Section 11.16. Notice to Rating Agencies. The Trustee shall provide any rating agency rating the Bonds with written notice of each amendment to the Indenture and a copy thereof at least 15 days in advance of its execution.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Agency has caused the Indenture to be signed in its name by its Chair and attested by its Secretary, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

PUENTE BASIN WATER AGENCY

By: _____
Chair

ATTEST:

Secretary

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

PUENTE BASIN WATER AGENCY
WATER REVENUE BOND, SERIES 2024A

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
_____%	June 1, 20__	_____, 2024	_____

REGISTERED OWNER CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The PUENTE BASIN WATER AGENCY, a joint exercise of powers agency that is duly organized and existing under the laws of the State of California (the “Agency”), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the “Registered Owner”), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before ____ 15, 20__, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable semiannually on ____ 1, 20__ and each June 1 and December 1 thereafter, calculated on the basis of a 360 day year composed of twelve

30 day months. Principal hereof and premium, if any, upon early redemption hereof are payable by wire or check of the Trustee upon presentation and surrender hereof at the Office (as defined in the hereinafter described Indenture) of U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such registered owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

Capitalized terms that are used herein and not defined shall have the meanings that are given to such terms in the Indenture.

This Bond is not a debt of the members of the Agency, the State of California, or any of its political subdivisions (other than the Agency), and neither the members of the Agency or said State, nor any of its political subdivisions (other than the Agency), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the Agency other than the Agency Revenues (as such term is defined in the Indenture of Trust, dated as of _____ 1, 2024 (the "Indenture"), by and between the Agency and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the Walnut Valley Water District (the "District") to make payments in accordance with the Installment Purchase Agreement (as such term is defined in the Indenture) is a limited obligation of the District as set forth in the Installment Purchase Agreement and the District shall have no liability or obligation in connection herewith except with respect to such Series 2024 Installment Payments to be made pursuant to the Installment Purchase Agreement. The Bonds do not constitute an indebtedness of the Agency in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the "Puente Basin Water Agency Water Revenue Bonds, Series 2024A" (the "Bonds"), of an aggregate principal amount of _____ Dollars (\$ _____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of the Amended, Restated and Renewed Joint Powers Agreement, dated October 28, 2009, by and between the District and Rowland Water District, as amended from time to time (the "JPA Agreement") and the laws of the State of California and pursuant to the Indenture and the resolution authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Agency) 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 Agency 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 Agency 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 in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The Bonds have been issued by the Agency to finance certain public capital improvements and related costs, as more fully described in the Indenture.

This Bond and the interest, 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 Agency,

and are payable from, and are secured by a pledge and lien on the Agency Revenues, including all Series 2024 Installment Payments received from the District by the Agency or the Trustee, and any other amounts on deposit in certain funds and accounts created under the Indenture. As and to the extent set forth in the Indenture, all of the Agency Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

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

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

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

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

***Redemption Date
(June 1)***

***Principal
Amount***

*

* Final Maturity.

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

***Redemption Date
(June 1)***

***Principal
Amount***

*

* Final Maturity.

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 Agency in a Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, 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.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than twenty (20) days nor more than sixty (60) days prior to the redemption date to the respective Owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

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

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

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at said 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 the same series, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

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

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

The Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Agency 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 that are 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 JPA Agreement, and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Agency, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

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

IN WITNESS WHEREOF, the Agency has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Chair and attested to by the manual or facsimile signature of its Secretary, all as of the Original Issue Date specified above.

PUENTE BASIN WATER AGENCY

By: _____
Chair

Attest:

Secretary

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

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

Dated: _____, 2024

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Signatory

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth LLP, 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

[FORM OF ASSIGNMENT]

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

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

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

Dated: _____

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

Signature Guaranteed:

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

PURCHASE CONTRACT

\$ _____
PUENTE BASIN WATER AGENCY
WATER REVENUE BONDS, SERIES 2024A

_____, 2024

Puente Basin Water Agency
271 South Brea Canyon Road
Walnut, California 91789

Walnut Valley Water District
271 South Brea Canyon Road
Walnut, California 91789

Ladies and Gentlemen:

Wells Fargo Bank, National Association (the “Underwriter”) acting on behalf of itself and not as an agent or representative of you, offers to enter into this purchase contract (the “Purchase Contract”) with the Walnut Valley Water District (the “District”) and the Puente Basin Water Agency (the “Agency”), which will be binding upon the District, the Agency and the Underwriter upon the acceptance hereof by the District and the Agency. This offer is made subject to its acceptance by the District and the Agency by execution of this Purchase Contract and its delivery to the Underwriter, on or before 11:59 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the meanings given to such terms in the Official Statement, the Indenture, and the Installment Purchase Agreement (as such terms are hereafter defined).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase, and the Agency hereby agrees to cause to be delivered to the Underwriter, all (but not less than all) of \$_____ aggregate principal amount of the Puente Basin Water Agency Water Revenue Bonds, Series 2024A (the “Bonds”). The Bonds will mature in the amounts and on the dates and bear interest at the rates set forth on Exhibit A hereto. The Underwriter will purchase the Bonds for the aggregate purchase price of \$_____ (representing the aggregate principal amount of the Bonds plus a reoffering premium of \$_____ and less an underwriting discount of \$_____).

2. Description and Purpose of the Bonds. The Bonds shall be issued pursuant to an Indenture of Trust dated as of _____ 1, 2024 (the “Indenture”) by and between the Agency and U.S. Bank Trust Company, National Association, as trustee (“U.S. Bank” or “Trustee”). The Bonds are special limited obligations of the Agency and are payable solely from the revenues and from certain other amounts on deposit in funds and accounts as described in the Indenture. Such revenues will consist primarily of amounts received by the Agency (the “Installment Payments”) pursuant to the Installment Purchase Agreement dated as of _____ 1, 2024 (the “Installment Purchase Agreement”), between the Agency and the District and all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture. The obligation of the District to make the Installment Payments is a special obligation of the District payable from Revenues of the District less Operation and Maintenance Costs (the “Net Revenues”). The Bonds shall be as described in the

Indenture and the Official Statement dated _____, 2024, relating to the Bonds (which, together with all exhibits and appendices included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the “Official Statement”).

The Bonds are being issued to: (i) finance the acquisition and construction of certain improvements to the District’s Water System facilities, including, but not limited to, its administrative headquarters buildings; and (ii) to pay costs incurred in connection with the issuance of the Bonds.

3. Public Offering. The Underwriter agrees to make an initial bona fide public offering of all the Bonds at the public offering prices set forth on the inside cover page of the Official Statement. Subsequent to the initial public offering, the Underwriter reserves the right to change the initial public offering prices as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A hereto. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than initial public offering prices. The Underwriter also reserves the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Bonds at a level above that which might otherwise prevail in the open market and (ii) to discontinue such transactions, if commenced, at any time.

4. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Agency in establishing the issue price of the Bonds and shall execute and deliver to the Agency at Closing (as defined herein) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Agency and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) Except for any Hold-the-Price Maturities described in subsection (c) below and indicated on Exhibit A attached hereto, the Agency will treat the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). Exhibit A attached hereto sets forth the maturities of the Bonds for which the 10% test has been satisfied as of the date of this Purchase Contract (the “General Rule Maturities”) and the prices at which the Underwriter has sold such General Rule Maturities to the public.

(c) With respect to the maturities of the Bonds that are not General Rule Maturities, as described in Exhibit A attached hereto (the “Hold-the-Price Maturities”), the Underwriter confirms that it has offered such maturities of the Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto. The Agency and the Underwriter agree that the restrictions set forth in the next sentence shall apply to the Hold-the-Price Maturities, which will allow the Agency to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Hold-the-Price Maturities, the Underwriter will neither offer nor sell unsold bonds of such maturity of the Hold-the-Price Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriter has sold at least 10% of that maturity of the Hold-the-Price Maturities to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall advise the Agency promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Hold-the-Price Maturities to the public at a price that is no higher than the initial offering price to the public.

- (d) The Underwriter confirms that:

- (i) any selling group agreement and any third-party distribution agreement (to which the Underwriter is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

- (A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date (as defined herein) has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter and as set forth in the related pricing wires,

- (B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below),

- (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the Underwriter shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

- (ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or such underwriter or dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or such underwriter or dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long

as directed by the Underwriter or the underwriter or the dealer and as set forth in the related pricing wires.

(e) The Agency acknowledges that, in making the representations set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Agency further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(f) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Agency (or with the Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.

5. Delivery of Official Statement. Pursuant to the authorization of the Agency and the District, the Underwriter has distributed copies of the Preliminary Official Statement dated _____, 2024, relating to the Bonds, which, together with the cover page and appendices thereto, is herein called the "Preliminary Official Statement." By their execution of this Purchase Contract, the Agency hereby approves and ratifies the distribution and use by the Underwriter of the Preliminary Official Statement. The Agency agrees to execute and deliver a final Official Statement in substantially the same form as the Preliminary Official Statement with such changes as may be made thereto with the consent of the Agency and/or the District and the Underwriter, as appropriate, and to provide copies thereof to the Underwriter as set forth in Paragraph 7(a)(xiv) hereof. The District and the Agency hereby authorize the Underwriter to use and distribute, in connection with the offer and sale of the Bonds: the Preliminary Official Statement, the Official Statement, the Indenture, the Installment Purchase Agreement, the Continuing Disclosure Certificate (as hereinafter defined), and other documents or contracts to which the District or the Agency is a party in connection with the transactions contemplated by this Purchase Contract, including this Purchase Contract and all information contained herein, and all other documents, certificates and statements furnished by the District or the Agency to the Underwriter in connection with the transactions contemplated by this Purchase Contract. The Agency and the District shall deliver the Official Statement in electronic form to the Underwriter in order to enable the Underwriter to distribute the Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the last day of the Underwriting Period as determined in accordance with 7(a)(v) below. The Official Statement shall be provided for distribution, at the expense of the Agency and the District, no later than the earlier of (i) seven (7) business days after the date of this Purchase Contract or (ii) one (1) business day prior to the date of Closing, in order to permit the Underwriter to comply with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), and the applicable rules of the Municipal Securities Rulemaking Board (the "MSRB"), with respect to distribution of the Official Statement. The Agency and the District shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriter. The Underwriter shall inform the Agency and the District in writing of the date which is twenty-five (25) days following the date of Closing (as hereinafter defined), and covenants to file the Official Statement with the MSRB on a timely basis. The Agency and District further agree to provide the Underwriter with the advance refunding documents (as defined in MSRB Rule G-32) in a word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide such electronic copy of the word-searchable PDF format of the advance refunding documents to the Underwriter no later than four (4) business days after the date of Closing (defined below) to enable the Underwriter to comply with MSRB Rule G-32.

6. The Closing. At 8:00 a.m., California time, on _____, 2024, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the District, the Agency and the Underwriter, the Agency will cause to be executed and delivered (i) the Bonds in book-entry form through the facilities of The Depository Trust Company, or its agent, on behalf of the Underwriter, and (ii) the closing documents hereinafter mentioned at the offices of Stradling Yocca Carlson & Rauth LLP ("Bond Counsel") in Newport Beach, California or another place to be mutually agreed upon by the District, the Agency and the Underwriter. The Underwriter will accept such delivery of the Bonds and pay the purchase price of the as set forth in Section 1 hereof in immediately available funds to the order of the District. This payment for and delivery of the Bonds, together with the execution and delivery of the aforementioned documents, is herein called the "Closing."

7. (a) District Representations, Warranties and Covenants. The District represents, warrants and covenants to the Underwriter that:

(i) Due Organization, Existence and Authority. The District is a California water district duly organized and existing under the Constitution and laws of the State of California (the “State”), with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Installment Purchase Agreement and the Continuing Disclosure Certificate (collectively, the “District Documents”) and to carry out and consummate the transactions contemplated by the District Documents and the Official Statement.

(ii) Due Authorization and Approval. By all necessary official action of the District, the District has duly authorized and approved the delivery of and the performance by the District of the obligations contained or described in the Preliminary Official Statement and the Official Statement and the execution and delivery of and the performance by the District of the obligations contained or described in the District Documents, and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming the authorization, execution and delivery by the other parties thereto, each District Document will constitute the legally valid and binding obligation of the District enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors’ rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(iii) Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and Preliminary Official Statement contained as of its date and as of the date hereof and the Official Statement contains, and up to and including the Closing, will contain no misstatement of any material fact and do not, and up to and including the Closing, will not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to DTC or DTC’s book-entry system or any information provided by the Underwriter for inclusion in the Preliminary Official Statement or the Official Statement, including but not limited to the information contained under the caption “Underwriting” (collectively, the “Excluded Information”). All financial projections for future fiscal years included in the Official Statement are developed using assumptions and opinions, and shall not be considered an expectation of performance or an actual outcome of the financial characteristic of the District.

(iv) Underwriter’s Consent to Amendments and Supplements to the Official Statement. The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(v) District Agreement to Amend or Supplement the Official Statement. If after the date of this Purchase Contract and until 25 days after the end of the “underwriting period” (as defined in Rule 15c2-12), any event occurs as a result of which the Official Statement as then amended

or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Underwriter, an amended or supplemented Official Statement should be delivered in connection with the offers or sales of the Bonds to reflect such event, the District promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the District shall promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement. The Underwriter hereby agrees to deposit the Official Statement with the MSRB. The Underwriter acknowledges that the end of the “underwriting period” will be the date of Closing, unless the Underwriter otherwise informs the District in writing on or prior to the date of Closing.

(vi) No Material Change in Finances. Except as otherwise described in the Official Statement, there shall not have been any material adverse changes in the financial condition of the District since the end of the fiscal year ending June 30, 2023.

(vii) No Breach or Default. As of the time of acceptance hereof, (A) the District is not in default, nor has it been in default, as to principal or interest with respect to an obligation issued or incurred by the District, and (B) the District is not and will not be, in any manner which would materially adversely affect the transactions contemplated by the District Documents, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would materially adversely affect the transactions contemplated by the District Documents, a default or event of default under any such instrument; and, as of such time, the authorization, execution and delivery of the District Documents and compliance with the provisions of each of such agreements or instruments do not and will not, in any manner which would materially adversely affect the transactions contemplated by the District Documents, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents.

(viii) No Litigation. As of the time of acceptance hereof and as of the date of Closing, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, except as disclosed in the Official Statement, to the best knowledge of the District after due investigation, threatened (A) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (B) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Bonds, or in any way contesting or affecting the validity of the Bonds or the District Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Bonds from gross income for federal income tax purposes, or contesting the powers of the District to enter into the District Documents; (C) which may result in any material adverse change to the financial condition of the District; (D) which may result in any material adverse

change to the District's ability to pay the Installment Payments when due; or (E) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (A) through (E) of this sentence.

(ix) Prior Liens. Except as disclosed in the Preliminary Official Statement and Official Statement, the District does not have any indebtedness outstanding which is secured by a lien on Revenues and the District will not have outstanding any indebtedness which indebtedness is secured by a lien on the Revenues superior to or on a parity with the lien of the Bonds on Revenues;

(x) Further Cooperation: Blue Sky. The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (A) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (B) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the District shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(xi) Consents and Approvals. All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations in connection with, the District Documents or the acquisition of the 2024 Project have been duly obtained or made, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(xii) No Other Obligations. Between the date of this Purchase Contract and the date of Closing and except as otherwise disclosed in the Official Statement, the District will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, directly or contingently payable from Net Revenues.

(xiii) Certificates. Any certificate signed by any official of the District and delivered to any of the Underwriter shall be deemed to be a representation and warranty by the District to the Underwriter as to the statements made therein.

(xiv) Compliance with Rule 15c2-12. The Preliminary Official Statement heretofore delivered to the Underwriter has been deemed final by the District as of the date of the Preliminary Official Statement, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12. The District hereby covenants and agrees that, within seven business days from the date hereof, it, in combination with the Agency, shall cause a final form of the Official Statement to be delivered to the Underwriter in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and Rules of the MSRB.

(xv) Continuing Disclosure. Other than as disclosed in the Preliminary Official Statement and the Official Statement, during the past five years, the District has not failed to comply in any material respect with any continuing disclosure undertaking previously entered into by the District pursuant to Rule 15c2-12 of the Securities and Exchange Commission. The District will undertake, pursuant to a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12. A form of the Continuing Disclosure Certificate is set forth in an Appendix to the Official Statement relating to the District.

(b) Agency Representations, Warranties and Covenants. The Agency represents, warrants and covenants to the Underwriter that:

(i) Due Organization, Existence and Authority. The Agency is a joint powers authority duly organized and existing under an Amended, Restated and Renewed Joint Powers Agreement Creating Puente Basin Water Agency, dated October 28, 2009 (as amended to date, the “Joint Powers Agreement”), between the District and the Rowland Water District and under the Constitution and laws of the State, with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Indenture and the Installment Purchase Agreement (collectively, the “Agency Documents”), and to carry out and consummate the transactions contemplated by the Agency Documents and the Official Statement.

(ii) Due Authorization and Approval. By all necessary official action of the Agency, the Agency has duly authorized and approved the delivery of, and the performance by the Agency of the obligations contained or described in the Preliminary Official Statement and the Official Statement and the execution and delivery of, and the performance by the Agency of the Agency Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming the authorization, execution and delivery by the other parties thereto, each Agency Document and the Bonds will constitute the legally valid and binding obligation of the Agency enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors’ rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(iii) Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date and is as of the date hereof, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement contain, and up to and including the Closing, will contain no misstatement of any material fact and do not, and up to and including the Closing, will not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to the Excluded Information).

(iv) Underwriter’s Consent to Amendments and Supplements to the Official Statement. The Agency will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Agency will advise the Underwriter promptly of the institution of any proceedings known to it by any

governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(v) Agency Agreement to Amend or Supplement the Official Statement. If after the date of this Purchase Contract and until 25 days after the end of the “underwriting period” (as defined in Rule 15c2-12), any event occurs as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Underwriter, an amended or supplemented Official Statement should be delivered in connection with the offers or sales of the Bonds to reflect such event, the Agency promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the Agency shall promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement. The Underwriter hereby agrees to deposit the Official Statement with the MSRB. The Underwriter acknowledges that the end of the “underwriting period” will be the date of the Closing, unless the Underwriter otherwise informs the Agency in writing on or prior to the date of Closing.

(vi) Compliance with Rule 15c2-12. The Preliminary Official Statement heretofore delivered to the Underwriter has been deemed final by the Agency as of the date of the Preliminary Official Statement, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12. The Agency hereby covenants and agrees that, within seven business days from the date hereof, it, in combination with the District, shall cause a final form of the Official Statement to be delivered to the Underwriter in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and Rules of the MSRB.

8. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the District and the Agency of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter’s obligations under this Purchase Contract are and shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the District and the Agency contained herein, shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing (i) the District Documents and the Agency Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter, (ii) there shall be in full force and effect such resolutions (the “Resolutions”) as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement, the District Documents and the Agency Documents, (iii) the District shall perform or have performed its obligations required or specified in the District Documents to be performed at or prior to Closing, (iv) the Agency shall perform or have performed its obligations required or specified in the Agency Documents to be performed at or prior to Closing, and (v) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraphs 6(a)(iv), 6(a)(v), 6(b)(iv), and 6(b)(v) hereof or as otherwise may have been agreed to in writing by the Underwriter.

(c) No Default. At the time of the Closing, no default, or any event that with the passage of time would be reasonably likely to result in default, shall have occurred or be existing under

the Resolutions, the Agency Documents, the District Documents, or any other agreement or document pursuant to which any of the District's financial obligations were issued and the District shall not be in default in the payment of principal or interest on any of its financial obligations which default would materially adversely impact the ability of the District to make the Installment Payments.

(d) Termination Events. The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to the District if at any time at or prior to the Closing:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Bonds or the market price thereof or the ability of the Underwriter to enforce contracts for the sale of the Bonds, in the reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the Agency, or the status of the interest on bonds or notes or obligations of the general character of the Bonds; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or the market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Bonds, or the execution, delivery, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the

Indenture need to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions in the reasonable opinion of the Underwriter materially adversely affect the marketability or the market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(vi) a general banking moratorium shall have been established by federal or state authorities; or

(vii) there shall have occurred (1) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (2) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis; or

(viii) any rating of the securities of the Agency or the District reflecting the creditworthiness of the District shall have been downgraded, suspended or withdrawn by a national rating service or there shall have been an official statement as to a possible downgrading (such as being placed on “credit watch” or “negative outlook”), which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(ix) the commencement of any action, suit or proceeding described in Paragraph 6(a)(viii) hereof which, in the reasonable judgment of the Underwriter, materially adversely affects the marketability or the market price of the Bonds; or

(x) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(xi) a general suspension of trading in securities on the New York Stock Exchange or any other United States of America securities exchange, the establishment of minimum or maximum prices on any such United States of America securities exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any United States of America securities exchange, or any material increase of restrictions now in force (including, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter).

(e) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Bonds the following documents:

(i) Bond Opinion. The approving opinion of Bond Counsel dated the date of the Closing and substantially in the form included as Appendix C to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter and the Trustee, to the effect that the foregoing opinions addressed to the Agency may be relied upon by the Underwriter and the Trustee to the same extent as if such opinions were addressed to them.

(ii) Supplemental Opinion. A supplemental opinion or opinions of Bond Counsel dated the Closing Date, addressed to the Underwriter, in form and substance to the effect that:

(A) The statements and information contained in the Official Statement under the captions “INTRODUCTION,” “THE BONDS,” “SECURITY FOR THE BONDS,” “TAX MATTERS” and APPENDIX B and APPENDIX C, to the extent they purport to summarize information concerning the Bonds and certain provisions of the District Documents and the opinion of such counsel, present a fair and accurate summary of such information and such provisions;

(B) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an Indenture pursuant to the Indenture Act of 1939, as amended; and

(C) The Purchase Contract has been duly authorized, executed and delivered by the Agency and the District, and, assuming due authorization, execution and delivery by the other parties thereto, the Purchase Contract constitutes a legal, valid and binding agreement of the Agency and the District enforceable against the Agency and the District in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and equitable remedies if equitable remedies are sought, and except no opinion need be expressed as to the enforceability of the indemnification, waiver, choice of law or contributions provisions contained in the Purchase Contract.

(iii) Disclosure Counsel Letter. The opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Disclosure Counsel, dated the Closing Date and addressed to the District and the Underwriter, to the effect that, based upon their participation in conferences in the course of preparation of the Preliminary Official Statement and the Official Statement, and in reliance on such conferences and on the certificates, opinions and other documents mentioned in such opinion, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Preliminary Official Statement as of its date and the date of this Purchase Contract and the Official Statement as of its date and as of the Closing Date (except for any CUSIP numbers, financial, accounting, statistical or economic or engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about feasibility, valuation, appraisals, technology, real estate or environmental matters, the appendices thereto or any information about the Underwriter, underwriting, The Depository Trust Company or the Book-Entry System included or referred to therein, which such firm expressly excludes from the scope of this section and as to which such firm need express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(iv) District Counsel Opinion. An opinion of the District’s general counsel, dated the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the Underwriter and the Trustee, to the effect that:

(A) the District is a California water district duly created and existing in accordance with the laws of the State of California, including Division 13 of the California Water Code;

(B) the preparation and distribution of the Official Statement and the District Documents have been duly approved by the District;

(C) the resolution of the District's Board of Directors approving and authorizing the District's execution and delivery of the Official Statement and the District Documents has been duly adopted at a meeting of the governing body of the District which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(D) except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel, threatened against or affecting the District, which would adversely impact the District's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under, or in any way contesting or affecting the validity of the District Documents, or the transactions described and defined in the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the District Documents;

(E) the District Documents and the Official Statement have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the other parties thereto, the District Documents constitute legal, valid and binding agreements of the District enforceable against the District in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, and except no opinion need be expressed as to the enforceability of the indemnification, waiver, choice of law or contributions provisions contained in the District Documents;

(F) the execution and delivery of the District Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the District is subject;

(G) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California is required for the valid authorization, execution and delivery of the District Documents and the approval of the Official Statement; and

(H) the charges and fees of the Water System were duly approved and adopted by the District and, to such counsel's best knowledge, are valid and enforceable at the current levels levied by the District.

(v) Agency Counsel Opinion. An opinion of the Agency's general counsel, dated the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the Underwriter and the Trustee, to the effect that:

(A) The Agency is a joint powers authority duly organized and existing in accordance with the laws of the State of California and the Joint Powers Agreement;

(B) The Agency has all requisite power and authority to execute and deliver the Agency Documents and to perform its obligations thereunder. The execution and delivery by the Agency of the Agency Documents and the performance by the Agency of its obligations thereunder have been duly authorized by all necessary action on the part of the Agency. The Agency Documents have been duly executed and delivered by the Agency and constitute the legal, valid and binding obligations of the Agency, enforceable against it in accordance with its terms, except that: (a) the foregoing may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally; (b) the foregoing is subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity); and (c) rights under the Agency Documents may be limited by federal and state securities laws and by public policy;

(C) The resolutions of the Agency approving and authorizing the execution and delivery of the Agency Documents and approving the Official Statement (a) have been duly adopted at meetings of the Board of Directors of the Agency, and (b) are in full force and effect and have not been modified, amended or rescinded;

(D) The execution and delivery by the Agency of the Agency Documents by the Agency and performance of its obligations thereunder do not and will not, in any respect that would have a material adverse effect on the transactions contemplated by the Agency Documents, (i) violate applicable provisions of statutory law or regulation, (ii) breach or otherwise violate any existing obligation of the Agency under any court order or consent decree, or (iii) constitute a breach of or default under any material agreement or instrument to which the Agency is a party or by which it is bound;

(E) All approvals, consents, authorizations, elections and orders or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to or the absence of which would materially adversely affect, the consummation by the Agency of the transactions contemplated by the Agency Documents or the performance by the Agency of its obligations thereunder, have been obtained and are in full force and effect; and

(F) Except as set forth in the Official Statement and without investigation, analysis, or review of court or other public records, to such counsel's knowledge, there is no litigation, proceeding or governmental investigation pending or threatened in writing against the Agency that relates to the transactions contemplated by the Agency Documents and/or the Agency Documents, or that challenges the creation, organization or existence of the Agency.

(vi) U.S. Bank Counsel Opinion. The opinion of counsel to U.S. Bank, dated the date of the Closing, addressed to the District and the Underwriter, to the effect that:

(A) U.S. Bank is a national banking association duly organized and validly existing under the laws of the jurisdiction of its origin and has the corporate power to execute and deliver the Indenture and to perform its obligations under the Indenture;

(B) The execution and delivery by U.S. Bank of the Indenture and any other documentation relating to the Indenture and its performance of its obligations under the Indenture, have been and are as of the date hereof duly authorized by all necessary corporate action;

(C) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by U.S. Bank of the Indenture; and

(D) The Indenture have been duly executed and delivered and constitute the valid and legally binding obligations of U.S. Bank enforceable against it in accordance with their terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law).

(vii) Underwriter's Counsel Opinion. An opinion of Kutak Rock LLP, counsel to the Underwriter ("Underwriter's Counsel"), dated the date of the Closing in the form satisfactory to the Underwriter.

(viii) District Certificate. A certificate of the District, dated the date of the Closing, signed on behalf of the District by the General Manager or other duly authorized officer of the District to the effect that:

(A) The representations, warranties and covenants of the District contained in the Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the District has complied with all of, the terms and conditions of the Purchase Contract required to be complied with by the District at or prior to the date of the Closing;

(B) No event affecting the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading (except no representation is made with respect to information relating to the Excluded Information); and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the District Documents.

(ix) Agency Certificate. A certificate of the Agency, dated the date of the Closing, signed on behalf of the Agency by a duly authorized officer of the Agency to the effect that:

(A) The representations, warranties and covenants of the Agency contained in the Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Agency has complied with all of the terms and conditions of the Purchase Contract required to be complied with by the Agency at or prior to the date of the closing;

(B) No event affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading (except no representation is made with respect to information relating to the Excluded Information); and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the Agency Documents.

(x) Certificate of U.S. Bank. A certificate, dated the date of Closing, signed by a duly authorized official of U.S. Bank satisfactory in form and substance to the Underwriter, to the effect that:

(A) U.S. Bank is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Indenture;

(B) U.S. Bank is duly authorized to enter into the Indenture and has duly executed and delivered the Indenture, and assuming due authorization and execution by the other parties thereto, the Indenture are legal, valid and binding upon U.S. Bank, and enforceable against U.S. Bank in accordance with their terms;

(C) U.S. Bank, acting as the trustee under the Indenture, has duly executed the Bonds under their respective Indenture and delivered the Bonds to or upon the order of the Underwriter; and

(D) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of U.S. Bank that has not been obtained is or will be required for the execution and delivery of the Bonds or the consummation by U.S. Bank of its obligations under the Indenture.

(xi) Transcript. An electronic transcript of all proceedings relating to the authorization and issuance of the Bonds.

(xii) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the Agency by duly authorized officers thereof.

(xiii) Documents. An original executed copy of each of the Agency Documents and each of the District Documents.

(xiv) District Resolution. A certified copy of each resolution of the District authorizing the District Documents, certified by the Secretary for the District.

(xv) Agency Resolution. A certified copy of each Agency Resolution, certified by the Secretary of the Agency.

(xvi) Resolution of U.S. Bank. A certified copy of the general resolution of U.S. Bank authorizing the execution and delivery of certain documents by certain officers and employees of U.S. Bank, which resolution authorizes the execution and delivery of the Indenture by U.S. Bank.

(xvii) 15c2-12 Certificates of the District and the Agency. Certificates of the District and the Agency “deeming final” their respective portions of the Preliminary Official Statement for purposes of Rule 15c2-12.

(xviii) CDIAC Statements. A copy of Notices of Sale required to be delivered to the California Debt Investment Advisory Commission pursuant to Sections 8855(g) and 53583 of the California Government Code.

(xix) Rating. Evidence satisfactory to the Underwriter that the Bonds shall have received the rating as set forth in the Official Statement and that any such rating has not been revoked or downgraded.

(xx) Nonarbitrage and Tax Certificate. A nonarbitrage and tax certificate of the District relating to the Bonds in form satisfactory to Bond Counsel.

(xxi) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter may reasonably deem necessary.

If the District or the Agency shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated by the Underwriter for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and none of the Underwriter, the District nor the Agency shall be under further obligation hereunder, except as further set forth in Section 8 hereof.

9. Expenses. (a) The Underwriter shall be under no obligation to pay and the District shall pay or cause to be paid the expenses incident to the performance of the obligations of the District hereunder including but not limited to (i) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the District Documents and the Agency Documents and the cost of preparing, printing, issuing and delivering the Bonds; (ii) the fees and disbursements of any counsel, municipal advisors, accountants or other experts or consultants retained by the District and the Agency; (iii) the fees and disbursements of Bond Counsel, general counsel to the District, and special counsel to the Agency; (iv) the fees and disbursements of the rating agency; (v) the cost of printing and distributing the Preliminary Official Statement and any supplements and amendments thereto and the cost of printing and distributing the Official Statement and any supplements and amendments thereto, including a reasonable number of copies thereof for distribution by the Underwriter; (vi) expenses (included in the expense component of the Underwriter's spread) incurred on behalf of the District's officers or employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, and lodging of those officers or employees; (vii) CUSIP Service Bureau fees and charges; and (viii) Trustee fees.

(b) The Underwriter is required to pay fees to the CDIAC in connection with the offering of the Bonds. Notwithstanding that such fees are solely the legal obligation of the Underwriter, the District agrees to reimburse the Underwriter for such fees.

(c) Whether or not the Bonds are delivered to the Underwriter as set forth herein, the District shall be under no obligation to pay, and the District shall not pay, any expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in paragraph (a) of this section), including any advertising expenses and the fees and disbursements of Underwriter's Counsel.

(d) The District has agreed to pay the Underwriter's discount set forth in Section 1 of this Purchase Contract, and inclusive in the expense component of the Underwriter's discount are expenses incurred or paid for by the Underwriter on behalf of the District in connection with the marketing,

issuance, and delivery of the Bonds, including, but not limited to, advertising expenses, fees and expenses of Underwriter's Counsel, the costs of any Preliminary and Final Blue Sky Memoranda, CUSIP fees, and transportation, lodging, and meals for the District's employees and representatives.

(e) The District and Underwriter acknowledge that expenses included in the expense component of the Underwriter's discount are based upon estimates. The District and Underwriter agree that in the event the aggregate estimated expenses exceed the aggregate actual expenses incurred by the Underwriter in an amount equal to or greater than \$1,000 (the "Reimbursement Threshold"), the Underwriter shall reimburse to the District the aggregate amount of expenses equal to or greater than the Reimbursement Threshold. For the avoidance of doubt, the District acknowledges and agrees that in the event the aggregate estimated expenses exceed the aggregate actual expenses incurred by the Underwriter in an amount less than the Reimbursement Threshold, no reimbursement will be made by the Underwriter. The District acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

10. Notice. Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing to:

Walnut Valley Water District
271 South Brea Canyon Road
Walnut, California 91789
Attention: General Manager

Any notice or other communication to be given to the Agency under this Purchase Contract may be given by delivering the same in writing to:

Puente Basin Water Agency
271 South Brea Canyon Road
Walnut, California 91789
Attention: Administrator

Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

Wells Fargo Bank, National Association
333 S Grand Avenue, 5th Floor
Los Angeles, CA 90071
Attention: Public Finance Department

11. Entire Agreement. This Purchase Contract, when accepted by the District and the Agency, shall constitute the entire agreement among the District, the Agency and the Underwriter with respect to the subject matter hereof and is made solely for the benefit of the District, the Agency and the Underwriter (including the successors of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All of the representations, warranties and agreements of the District and the Agency in this Purchase Contract shall remain operative and in full force and effect except as otherwise provided herein, regardless of any investigations made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

12. No Advisory or Fiduciary Role. The District and Agency acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction among the District, the Agency and the Underwriter and the Underwriter has financial and other interests that differ from those of the Agency and the District, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor or fiduciary of the District or the Agency, (iii) the Underwriter has not assumed an advisory, fiduciary or municipal advisory responsibility in favor of the District or the Agency with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the District and the Agency on other matters) and the Underwriter have no obligation to the District or the Agency with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and (iv) the District and Agency have consulted their own legal, financial, municipal advisory, and other advisors to the extent deemed appropriate.

13. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

15. STATE LAW GOVERNS. THE VALIDITY, IN INTERPRETATION AND PERFORMANCE OF THIS PURCHASE CONTRACT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

16. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter, the Agency or the District without the prior written consent of the other party hereto.

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**

By: _____

Title: _____

Accepted as of the date
first stated above:

WALNUT VALLEY WATER DISTRICT

By: _____

Authorized Officer

PUENTE BASIN WATER AGENCY

By: _____

Authorized Officer

EXHIBIT A

\$ _____
**PUENTE BASIN WATER AGENCY
WATER REVENUE BONDS, SERIES 2024A**

MATURITY SCHEDULE

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Test Satisfied*</u>	<u>10% Test Not Satisfied</u>	<u>Subject to Hold-The- Offering- Price Rule</u>
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
20__ ^(T)							
20__ ^(T)							
20__ ^(T)							

^(T) Term Bond.

^(C) Priced to optional call at [par] on June 1, 20__.

* At the time of execution of this Purchase Contract and assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Contract.

EXHIBIT B

FORM OF ISSUE PRICE CERTIFICATE

\$ _____
**PUENTE BASIN WATER AGENCY
WATER REVENUE BONDS, SERIES 2024A**

The undersigned, on behalf of Wells Fargo Bank, National Association (“Wells Fargo”) hereby certifies, based upon the information available to it, as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Wells Fargo offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Purchase Contract dated _____, 2024, by and among Wells Fargo, the Issuer and the Walnut Valley Water District, Wells Fargo has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which Wells Fargo has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the Puente Basin Water Agency.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2024.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Wells Fargo’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Stradling Yocca Carlson & Rauth LLP, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose. Notwithstanding anything set forth herein, Wells Fargo is not engaged in the practice of law. Accordingly, Wells Fargo makes no representation as to the legal sufficiency of the factual matters set forth herein.

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By:_____

Name:_____

Dated: _____, 2024

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES

(Attached)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2024

NEW ISSUE – BOOK-ENTRY ONLY

RATING: S&P “_____”
See the caption “RATING”

In the opinion of Stradling Yocca Carlson & Rauth LLP, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS” with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

\$_____*
PUENTE BASIN WATER AGENCY
WATER REVENUE BONDS, SERIES 2024A

Dated: Date of Delivery

Due: June 1, as shown on inside front cover page

The Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in denominations of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds is payable on December 1, 2024 and each June 1 and December 1 thereafter. Payment of the principal of and interest on the Bonds is to be made to Cede & Co., which is to disburse said payments to the Beneficial Owners of the Bonds through their nominees.

The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity, all as more fully described herein.

The Bonds are being issued pursuant to the Indenture of Trust, dated as of _____ 1, 2024, by and between the Puente Basin Water Agency and U.S. Bank Trust Company, National Association, as trustee. The Bonds are being issued to provide funds: (i) to finance the acquisition and construction of certain improvements to the Walnut Valley Water District’s Water System, as described under the caption “THE 2024 PROJECT”; and (ii) to pay costs incurred in connection with the issuance of the Bonds.

THE BONDS ARE A SPECIAL LIMITED OBLIGATION OF THE AGENCY PAYABLE SOLELY FROM AGENCY REVENUES, WHICH CONSIST OF SERIES 2024 INSTALLMENT PAYMENTS TO BE MADE BY THE DISTRICT TO THE AGENCY PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT, AND FROM CERTAIN OTHER FUNDS AND ACCOUNTS HELD BY THE TRUSTEE PURSUANT TO THE INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR ANY OTHER REVENUES OR FUNDS OF THE AGENCY ARE PLEDGED TO OR AVAILABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS. THE OBLIGATION OF THE AGENCY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AGENCY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AGENCY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AGENCY HAS NO TAXING POWER.

The obligation of the District to make the Series 2024 Installment Payments is a special limited obligation of the District payable solely from Net Revenues of the District’s Water System on a parity with the District’s outstanding Water Revenue Refunding Bonds, Series 2021A (Federally Taxable), which are currently outstanding in the amount of \$14,750,000. The District may incur additional obligations payable from Net Revenues on a parity with the obligation to pay Series 2024 Installment Payments, subject to the terms and conditions of the Installment Purchase Agreement, as more fully described herein.

THE OBLIGATION OF THE DISTRICT TO MAKE SERIES 2024 INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2024 INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES OF THE DISTRICT’S WATER SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

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

MATURITY SCHEDULE
(See inside front cover page)

The Bonds are offered when, as and if delivered to and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. The Underwriter is being represented by its counsel, Kutak Rock LLP, Irvine, California. Certain legal matters will be passed upon for the Agency by Lagerlof LLP, Pasadena, California, as General Counsel, and for the District by Lagerlof LLP, Pasadena, California, as General Counsel, and Stradling Yocca Carlson & Rauth LLP, Newport Beach,

** Preliminary, subject to change.*

California, as Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2024.

Wells Fargo Securities

Dated: _____, 2024

\$ _____ *

**PUENTE BASIN WATER AGENCY
WATER REVENUE BONDS, SERIES 2024A**

MATURITY SCHEDULE

BASE CUSIP[†] _____

\$ _____ Serial Bonds

<i>Maturity (June 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
-------------------------------------	------------------------------------	-----------------------------	---------------------	---------------------	---------------------------------

\$ _____ % Term Bonds Due June 1, 20__, Yield: _____%, Price: _____, CUSIP[†] _____

\$ _____ % Term Bonds Due June 1, 20__, Yield: _____%, Price: _____, CUSIP[†] _____

** Preliminary, subject to change.*

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the District or the Underwriter takes any responsibility for the accuracy of such numbers.

PUENTE BASIN WATER AGENCY

Los Angeles County, California

Puente Basin Commission

Robert W. Lewis, Chair
Henry Woo, Vice Chair
Therea Lee, Commissioner
Anthony J. Lima, Commissioner

Agency Staff

Jared Macias, Administrative Officer
Tom Coleman, Assistant Administrative Officer
Carmen Fleming, Secretary
Myra Malner, Treasurer

WALNUT VALLEY WATER DISTRICT

Los Angeles County, California

Board of Directors

Theresa Lee, Division III, President
Scarlett Kwon, Division V, First Vice President
Jerry Tang, Division I, Second Vice President
Henry Woo, Division IV, Assistant Treasurer
Edwin M. Hilden, Division II, Director

District Staff

Sheryl L. Shaw, P.E., General Manager
Jared Macias, Assistant General Manager
Joshua Byerrum, Director of Finance

Special Services

General Counsel

Lagerlof LLP
Pasadena, California

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

Municipal Advisor

Urban Futures, Inc.
Tustin, California

Trustee

U.S. Bank Trust Company, National Association
Los Angeles, California

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

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

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

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

This Official Statement and the information that is contained herein are subject to completion or amendment without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Agency or any other parties that are described herein since the date hereof. These securities may not be sold, nor may an offer to buy them be accepted, prior to the time that the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements which are included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "project," "budget," "intend" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained under the captions "THE DISTRICT," "THE WATER SYSTEM," AND "WATER SYSTEM FINANCIAL INFORMATION."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The Agency and the District maintain websites; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

TABLE OF CONTENTS

Page

INTRODUCTION	1
THE 2024 PROJECT	1
ESTIMATED SOURCES AND USES OF FUNDS	2
THE BONDS	2
General Provisions	2
Book-Entry Only System	3
Transfers and Exchanges Upon Termination of Book-Entry Only System	3
Redemption	3
Selection of Bonds for Redemption	5
Notice of Redemption	5
Effect of Redemption	5
DEBT SERVICE SCHEDULE.....	6
SECURITY FOR THE BONDS	6
General.....	6
Series 2024 Installment Payments Payable From Net Revenues	8
Allocation of Revenues.....	9
Rate Covenant.....	10
No Reserve Fund.....	10
Additional Parity Bonds and Contracts.....	10
Rate Stabilization Reserve	11
THE DISTRICT.....	11
General.....	11
Land and Land Use	12
Governance and Management.....	12
Budget Process.....	13
District Insurance	13
Outstanding Parity Bonds and Contracts	14
1% <i>Ad Valorem</i> Property Tax Revenues.....	15
Standby Charges	17
COVID-19 Outbreak.....	18
THE WATER SYSTEM.....	18
General.....	18
Water Supply	18
Wholesale Deliveries	27
Water Quality.....	27
Historical Water Supply.....	29
Historical Water System Service Connections.....	29
Historical Water System Deliveries	30
Historical Water System Sales Revenues	30
Largest Water System Customers	31
Water System Rates and Charges	31
Collection Procedures	35
Future Water System Improvements.....	35
Projected Water Supply	36
Projected Water System Service Connections	36
Projected Water System Deliveries.....	36

TABLE OF CONTENTS
(continued)

	<i>Page</i>
Projected Water System Sales Revenues	37
WATER SYSTEM FINANCIAL INFORMATION	38
Financial Statements	38
Investment of District Funds	38
District Reserves	39
Historical Water System Operating Results and Debt Service Coverage	43
Projected Water System Operating Results and Debt Service Coverage	44
Employee Relations	46
CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES	54
Article XIII A	54
Article XIII B	54
Proposition 218	55
Proposition 26	56
Future Initiatives	57
CERTAIN RISKS TO BONDHOLDERS	57
Limited Obligations	57
Accuracy of Assumptions	57
System Demand	58
System Expenses	58
Limited Recourse on Default	58
Rate-Setting Process under Proposition 218	58
Statutory and Regulatory Compliance	58
Natural Disasters	59
Limitations on Remedies	59
Loss of Tax Exemption	60
Secondary Market	60
Parity Obligations	60
Climate Change	60
Cybersecurity	60
Rate Covenant Not a Guarantee	61
THE AGENCY	61
APPROVAL OF LEGAL PROCEEDINGS	61
LITIGATION	61
District	61
Agency	62
TAX MATTERS	62
CONTINUING DISCLOSURE	64
RATING	64
MUNICIPAL ADVISOR	64
UNDERWRITING	65

TABLE OF CONTENTS
(continued)

	<i>Page</i>
MISCELLANEOUS	65
APPENDIX A - DISTRICT FINANCIAL STATEMENTS.....	A-1
APPENDIX B - DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INSTALLMENT PURCHASE AGREEMENT AND THE INDENTURE.....	B-1
APPENDIX C - FORM OF OPINION OF BOND COUNSEL.....	C-1
APPENDIX D - INFORMATION CONCERNING DTC	D-1
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	E-1

SUMMARY STATEMENT

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

Purpose. The Bonds are being issued to provide funds: (i) to finance the acquisition and construction of certain improvements to the District's Water System, as described under the caption "THE 2024 PROJECT;" and (ii) to pay costs incurred in connection with the issuance of the Bonds. See the caption "ESTIMATED SOURCES AND USES OF FUNDS."

Security for the Bonds. The Bonds are a special limited obligation of the Agency payable solely from Agency Revenues, which consist of Series 2024 Installment Payments to be made by the District to the Agency pursuant to the Installment Purchase Agreement and amounts on deposit in certain funds and accounts established by the Indenture. Neither the full faith and credit nor any other revenues or funds of the Agency are pledged to or available for the payment of debt service on the Bonds. THE OBLIGATION OF THE AGENCY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AGENCY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AGENCY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AGENCY HAS NO TAXING POWER.

The obligation of the District to make Series 2024 Installment Payments is a special limited obligation of the District payable solely from Net Revenues of the District's Water System, which consist of Revenues of the District's Water System remaining after payment of Operation and Maintenance Costs. See the caption "SECURITY FOR THE BONDS."

The obligation of the District to make Series 2024 Installment Payments is payable from Net Revenues on a parity with the District's outstanding Water Revenue Refunding Bonds, Series 2021A (Federally Taxable), which are currently outstanding in the amount of \$14,750,000 and other Additional Parity Bonds and Contracts. See the caption "THE DISTRICT—Outstanding Parity Bonds and Contracts."

The obligation of the District to make the Series 2024 Installment Payments under the Installment Purchase Agreement is absolute and unconditional, and until such time as all payments that are required thereunder have been paid in full (or provision for the payment thereof has been made as provided for in the Installment Purchase Agreement), the District will not discontinue or suspend any Series 2024 Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the 2024 Project has been completed, and such payments will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

THE OBLIGATION OF THE DISTRICT TO MAKE SERIES 2024 INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2024 INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

No Reserve Fund. No reserve fund or account has been established under the Indenture or the Installment Purchase Agreement in connection with the issuance of the Bonds.

Rate Stabilization Reserve. A special fund designated as the “Rate Stabilization Reserve,” which is held by the District in trust under the Installment Purchase Agreement, has been established, which fund the District has agreed and covenanted to maintain and to hold separate and apart from other funds so long as the 2024 Installment Payments remain unpaid. Money transferred by the District from the Revenue Fund to the Rate Stabilization Reserve in accordance with the Installment Purchase Agreement will be held in the Rate Stabilization Reserve and applied in accordance therewith.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Reserve and transfer such amounts to the Revenue Fund for application in accordance with the Installment Purchase Agreement or, in the event that all or a portion of the Series 2024 Installment Payments are discharged in accordance with the Installment Purchase Agreement, transfer all or any portion of such amounts for application in accordance therewith. See the caption “SECURITY FOR THE BONDS—Rate Stabilization Reserve.”

Rate Covenant. The District has covenanted in the Installment Purchase Agreement, to the fullest extent permitted by law, to fix and prescribe, at the beginning of each Fiscal Year, rates, fees and charges for the Water Service which are reasonably expected, at the beginning of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 125% of the Debt Service for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but is not permitted to reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Installment Purchase Agreement. So long as the District has complied with its obligations described above, the failure of Net Revenues to meet the thresholds described above will not constitute a default or an Event of Default under the Installment Purchase Agreement or the Indenture. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Additional Parity Bonds and Contracts. The Installment Purchase Agreement permits the District to execute additional Contracts or to issue additional Bonds on a parity with the obligation to make the Series 2024 Installment Payments, provided that certain conditions are satisfied as described herein. The Installment Purchase Agreement also permits the District to execute or issue obligations payable on a subordinate basis to the Series 2024 Installment Payments.. See the caption “SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts.”

Redemption. The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity. See the caption “THE BONDS—Redemption.”

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

The District currently provides potable and recycled water service to an area encompassing approximately 17,966 acres (29 square miles) in the southeastern portion of the County approximately 20 miles east of downtown Los Angeles. The District serves customers in the City of Diamond Bar, portions of the Cities of Walnut, Pomona, West Covina and Industry and the unincorporated community of Rowland Heights. The population within the District’s service area is approximately 93,046 and the District had 27,133 potable water connections and 346 recycled water connections as of March 31, 2024.

The District has four potential sources of potable water: (i) imported water that the District purchases from The Metropolitan Water District of Southern California through Three Valleys Municipal Water District;

(ii) water purchased from the La Habra Heights County Water District and the Orchard Dale Water District through a joint arrangement with Rowland Water District; (iii) water purchased from California Domestic Water Company through a joint arrangement with Rowland; and (iv) water pumped from wells in the Six Basins Groundwater Basin through a joint arrangement with Rowland. See the caption “THE WATER SYSTEM—Water Supply—Potable Water.”

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

\$ _____ *

**PUENTE BASIN WATER AGENCY
WATER REVENUE BONDS, SERIES 2024A**

INTRODUCTION

This Official Statement, including the front cover page, the inside front cover page and the appendices, provides certain information concerning the sale and delivery of the Puente Basin Water Agency Water Revenue Bonds, Series 2024A (the “**Bonds**”). Descriptions and summaries of various documents that are set forth in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Capitalized terms that are used and not otherwise defined in this Official Statement have the meanings ascribed thereto in Appendix B.

The Bonds are being issued to provide funds: (i) to finance the acquisition and construction of certain improvements to the District’s Water System (the “**2024 Project**”), as described under the caption “THE 2024 Project;” and (ii) to pay costs incurred in connection with the issuance of the Bonds. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

The Bonds are being issued pursuant to an Indenture of Trust, dated as of _____ 1, 2024 (the “**Indenture**”), by and between the Puente Basin Water Agency (the “**Agency**”) and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”). The Bonds are limited obligations of the Agency payable solely from Agency Revenues, which consist of payments (the “**Series 2024 Installment Payments**”) to be made by the Walnut Valley Water District (the “**District**”) to the Agency pursuant to an Installment Purchase Agreement (the “**Installment Purchase Agreement**”), dated as of _____ 1, 2024, by and between the District and the Agency, and amounts on deposit in certain funds and accounts established by the Indenture.

The obligation of the District to make Series 2024 Installment Payments is a special limited obligation of the District payable solely from Net Revenues of the District’s Water System (the “**Water System**”), which consist of Revenues of the Water System remaining after payment of Operation and Maintenance Costs. See the caption “SECURITY FOR THE BONDS.”

The obligation of the District to make Series 2024 Installment Payments from Net Revenues is on a parity with the obligation of the District to pay debt service on the District’s Water Revenue Refunding Bonds, Series 2021A (Federally Taxable) (the “**2021A Bonds**”), which are currently outstanding in the aggregate principal amount of \$14,750,000.

The District regularly prepares a variety of reports, including audits, budgets and related documents. Any Bond Owner may obtain a copy of such report, as available, from the District. The District has also undertaken to provide annual reports to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“**EMMA**”), which is accessible on the Internet at <http://emma.msrb.org>, pursuant to a Continuing Disclosure Certificate. See the caption “CONTINUING DISCLOSURE” and Appendix E.

THE 2024 PROJECT

[The 2024 Project consists of the construction of a new administration building for the District as well as modifications to the District’s existing Operations and Maintenance Building. The new Administration Building is expected to total approximately 22,000 square feet and house the District’s Accounting, Customer Service, Engineering and Administration Departments, as well as a customer service lobby, employee support area, emergency response center and a board room for public meetings. The modifications to the existing Operations and Maintenance Building are expected to include converting the existing space for the District

** Preliminary, subject to change.*

Administration and Operations and Engineering Departments into work areas for various operation and maintenance functions, and removing the second floor of the existing building constructing a new roof. The 2024 Project is expected to cost a total of \$_____ and construction is expected to begin in _____ 2024 and be completed by _____ 20__.]

Pursuant to the Installment Purchase Agreement, the District may substitute or add additional projects to the 2024 Project. See Appendix B under the caption “INSTALLMENT PURCHASE AGREEMENT—ACQUISITION AND CONSTRUCTION OF PROJECTS—Changes to the 2024 Project.”

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Bonds:

Sources⁽¹⁾

Principal Amount of Bonds

[Plus/Less] [Net] Original Issue [Premium/Discount]

Total Sources

Uses⁽¹⁾

Deposit to Acquisition Fund

Costs of Issuance⁽²⁾

Total Uses

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

⁽²⁾ Includes certain legal, municipal advisory, financing, rating agency and Trustee fees, Underwriter’s discount and printing costs.

THE BONDS

General Provisions

The Bonds will be issued in the aggregate principal amount of \$_____.*. The Bonds will bear interest from and be dated the date of initial issuance, and will be payable upon maturity on the dates set forth on the inside front cover page hereof. Interest on the Bonds will be payable on _____ 1, 20__ and each June 1 and December 1 thereafter.

Interest will be calculated at the rates set forth on the inside front cover page hereof on the basis of a year of 360 days comprised of twelve 30 day months.

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

In the event that the book-entry only system that is described below is discontinued, the principal of and interest on any Bond will be payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the Office of the Trustee in Los Angeles, California. Such principal and interest will be payable in lawful money of the United States of America.

* Preliminary, subject to change.

Book-Entry Only System

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

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The Agency cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

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

Whenever any Bond is surrendered for transfer, the Agency will execute and the Trustee will authenticate and deliver a new Bond or Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of Bonds, the Trustee will cancel and destroy the Bonds that 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 will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045, as amended. The Trustee will conclusively rely on the information provided to it and has no responsibility to verify or ensure the accuracy of such information.

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

Redemption

Optional Redemption. The Bonds with stated maturities on or after June 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part as directed by the Agency in a Request

provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, on June 1, 20__ or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

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

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

* Maturity.

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

<i>Redemption Date (June 1)</i>	<i>Principal Amount</i>
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* Final Maturity.

If some but not all of the Bonds maturing on June 1, 20__ or June 1, 20__ are redeemed as described under the subcaptions “—Optional Redemption” or “—Extraordinary Redemption from Net Proceeds of Insurance or Condemnation,” the principal amount of the applicable Bonds to be redeemed pursuant to the Indenture on any subsequent June 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the Agency in a Certificate of the Agency filed with the Trustee; provided, however, that the aggregate amount of such reductions may not exceed the aggregate amount of the applicable Bonds redeemed.

Extraordinary Redemption from Net Proceeds of Insurance or Condemnation. The Bonds will be 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 Agency in a Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, 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. See Appendix B under the captions “INSTALLMENT PURCHASE AGREEMENT—COVENANTS OF THE DISTRICT—Insurance” and “INSTALLMENT PURCHASE AGREEMENT—COVENANTS OF THE DISTRICT—Eminent Domain Proceeds.”

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

Selection of Bonds for Redemption

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

Notice of Redemption

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

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

Effect of Redemption

Notice of redemption having been duly given as described above under the caption “—Notice of Redemption,” and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee will, upon surrender for payment of any of the Bonds to be redeemed on their Redemption Dates, pay such Bonds at the Redemption Price. All Bonds redeemed pursuant to the provisions of the Indenture will be canceled upon surrender thereof.

DEBT SERVICE SCHEDULE

Set forth below is a schedule of debt service on the 2021A Bonds, which are payable on a parity with the Series 2024 Installment Payments as well as debt service on the Bonds, which equals the Series 2024 Installment Payments for each annual period ending on June 1 in the years indicated.

<i>Period Ending</i> <i>June 1</i>	<i>2021A Bonds⁽¹⁾</i>	<i>Bonds</i>			<i>Total Debt Service</i>
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2025	\$ 1,229,455.50				
2026	1,232,178.40				
2027	1,227,895.10				
2028	1,231,526.70				
2029	1,228,012.50				
2030	1,231,953.20				
2031	1,229,556.10				
2032	1,230,871.90				
2033	1,230,249.90				
2034	1,227,630.10				
2035	1,228,497.50				
2036	1,232,696.40				
2037	1,225,056.10				
2038	1,230,768.00				
2039	--				
2040	--				
2041	--				
2042	--				
2043	--				
2044	--				
2045	--				
2046	--				
2047	--				
2048	--				
2049	--				
2050	--				
2051	--				
2052	--				
2053	--				
2054	--				
2055	--				
2056	--				
TOTAL	\$ 17,216,347.40				

Source: Underwriter.

SECURITY FOR THE BONDS

General

Each Bond is a special limited obligation of the Agency payable solely from Agency Revenues, which consist of Series 2024 Installment Payments to be made by the District under the Installment Purchase Agreement and certain other funds and accounts established pursuant to the Indenture. NEITHER THE FULL FAITH AND CREDIT NOR ANY OTHER REVENUES OR FUNDS OF THE AGENCY ARE PLEDGED TO

OR AVAILABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS. THE OBLIGATION OF THE AGENCY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AGENCY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AGENCY HAS NO TAXING POWER.

All of the Agency Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account that is established pursuant to the Indenture (except the Rebate Fund) have been irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Agency, irrespective of whether such parties have notice hereof.

The Agency, for good and valuable consideration in hand received, has irrevocably assigned and transferred to the Trustee without recourse, for the benefit of the Owners of the Bonds as set forth in the Indenture, all of its rights, title, and interest in all Series 2024 Installment Payments payable by the District pursuant to the Installment Purchase Agreement, including all rights of the Agency thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the Installment Purchase Agreement, or otherwise to protect the interest of the Owners of the Bonds). Such assignment is subject to and limited by the terms of the Indenture.

There is established under the Indenture with the Trustee the 2024A Bond Payment Fund, which the Trustee has covenanted to maintain and hold in trust separate and apart from other funds held by it so long as any Series 2024 Installment Payments remain unpaid. Except as directed in the Indenture, all Agency Revenues will be promptly deposited by the Trustee upon receipt thereof into the 2024A Bond Payment Fund; except that all moneys received by the Trustee and required under the Indenture to be deposited in the Redemption Fund will be promptly deposited therein. All Agency Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee will also create and maintain an Interest Account and a Principal Account within the 2024A Bond Payment Fund.

The Trustee will transfer from the 2024A Bond Payment Fund and deposit into the following respective accounts the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Agency Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the day preceding each date on which the interest on the Bonds become due and payable under the Indenture, the Trustee will deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding. All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

(b) Not later than the day preceding each date on which the principal of the Bonds become due and payable under the Indenture, the Trustee will deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date. All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of the Agency, the Trustee will apply

such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed pursuant to a Request of the Agency, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Series 2024 Installment Payments Payable From Net Revenues

The obligation of the District to make the Series 2024 Installment Payments is payable solely from Net Revenues of the District's Water System, which consist of Revenues of the District's Water System remaining after the payment of Operation and Maintenance Costs of the District's Water System. All of the Revenues (as such term is defined in Appendix B under the caption "INSTALLMENT PURCHASE AGREEMENT—Definitions") of the District's Water System, all amounts held in the Revenue Fund, amounts that are transferred from the Rate Stabilization Reserve to the Revenue Fund as described under the caption "—Rate Stabilization Reserve," below, and any other amounts which are held in any fund or account that is established pursuant to the Installment Purchase Agreement (except the Rate Stabilization Reserve (other than those amounts which are transferred by the District from the Rate Stabilization Reserve to the Revenue Fund)), have been irrevocably pledged to the payment of the Series 2024 Installment Payments as provided in the Installment Purchase Agreement. Except for the payment of Operation and Maintenance Costs, the Revenues will not be used for any other purpose while any of the Series 2024 Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Installment Purchase Agreement.

Such pledge, together with the pledge created by all other Bonds and Contracts (as such terms are defined in Appendix B under the caption "INSTALLMENT PURCHASE AGREEMENT—Definitions" and referred to in the forepart of this Official Statement as "**Parity Bonds and Contracts**" or "**Parity Bonds or Contracts**," as applicable), constitutes a first lien on Revenues, the Revenue Fund and the other funds and accounts that are created under the Installment Purchase Agreement for the Payment of the Series 2024 Installment Payments and all other Parity Bonds and Contracts in accordance with the terms thereof and of the Indenture.

The currently outstanding Parity Bonds and Contracts consist of the 2021A Bonds. See the caption "THE DISTRICT—Outstanding Parity Bonds and Contracts."

Notwithstanding anything contained in the Installment Purchase Agreement, the District is not required to advance any moneys derived from any source of income other than the Revenues and the Revenue Fund for the payment of amounts due under the Installment Purchase Agreement or for the performance of any agreements or covenants that are required to be performed by it contained therein. 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 SERIES 2024 INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2024 INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES OF THE DISTRICT'S WATER SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Allocation of Revenues

In order to carry out and effectuate the pledge and lien on Revenues contained in the Installment Purchase Agreement, the District has agreed and covenanted that all Revenues will be received by the District in trust and deposited when and as received in a special fund designated as the “**Revenue Fund**,” which fund has been established and which fund the District has agreed and covenanted to maintain and to hold separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Moneys in the Revenue Fund will be used and applied by the District as provided in the Installment Purchase Agreement.

The District will, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts which are reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All remaining moneys in the Revenue Fund will 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 will be held in trust and applied, used and withdrawn only for the purposes authorized in the Installment Purchase Agreement:

(a) 2024A Bond Payment Fund. On or before each Series 2024 Installment Payment Date, the District will, from remaining moneys in the Revenue Fund, transfer to the Trustee for deposit in the 2024A Bond Payment Fund an amount that is equal to the interest and principal payable and coming due on the 2024A Bonds on the next succeeding Series 2024 Installment Payment Date. The District will also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of the Contract, Bond, resolution or indenture relating thereto.

Any moneys which are on deposit in the 2024A Bond Payment Fund on each Series 2024 Installment Payment Date (other than amounts that are required for the payment of past due principal or interest with respect to any 2024A Bonds not presented for payment) will be credited to the payment of the Series 2024 Installment Payments due and payable on such date. No deposit need be made in the 2024A Bond Payment Fund as Series 2024 Installment Payments if the amount in the 2024A Bond Payment Fund is at least equal to the amount of the Series 2024 Installment Payment that is due and payable on the next succeeding Series 2024 Installment Payment Date.

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

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

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

Rate Covenant

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

So long as the District has complied with its obligations described above, the failure of Net Revenues to meet the thresholds described above will not constitute a default or an Event of Default under the Installment Purchase Agreement or the Indenture.

No Reserve Fund

No reserve fund or account has been established under the Indenture or the Installment Purchase Agreement in connection with the issuance of the Bonds.

Additional Parity Bonds and Contracts

The District is currently obligated to make payments under outstanding Parity Bonds and Contracts which are described under the caption "THE DISTRICT—Outstanding Parity Bonds and Contracts." Pursuant to the Installment Purchase Agreement, the District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

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

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

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if aggregate Debt Service after the issuance of such Bonds or execution of such Contracts is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts. Furthermore, notwithstanding the foregoing, the District may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that

are payable from and secured by a lien on Revenues or money in the Revenue Fund as may from time to time be deposited therein subordinate to the Series 2024 Installment Payments.

Rate Stabilization Reserve

Under the Installment Purchase Agreement, there is continued a special fund designated as the “Rate Stabilization Reserve” which is held by the District in trust thereunder, which fund the District agrees and covenants in the Installment Purchase Agreement to maintain and to hold separate and apart from other funds so long as the Series 2024 Installment Payments remain unpaid. On the Closing Date, there will be at least [\$1,543,125] on deposit in the Rate Stabilization Reserve. Money transferred by the District from the Revenue Fund to the Rate Stabilization Reserve in accordance with the Installment Purchase Agreement will be held in the Rate Stabilization Reserve and applied in accordance herewith.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Reserve and transfer such amounts to the Revenue Fund for application in accordance with the Installment Purchase Agreement or, in the event that all or a portion of the Series 2024 Installment Payments are discharged in accordance with the Installment Purchase Agreement, transfer all or any portion of such amounts for application in accordance with the Installment Purchase Agreement.

THE DISTRICT

General

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

The District currently provides potable and recycled water service to an area encompassing approximately 17,966 acres (29 square miles) in the southeastern portion of the County approximately 20 miles east of downtown Los Angeles. The District serves customers in the City of Diamond Bar, portions of the Cities of Walnut, Pomona, West Covina and Industry and the unincorporated community of Rowland Heights. The population within the District’s service area is approximately 93,046 and the District had 27,133 potable water connections and 346 recycled water connections as of March 31, 2024.

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

The District has two sources of recycled water: (i) treated wastewater that is produced at the Los Angeles County Sanitation District’s (“**LACSD**”) Pomona Water Reclamation Plant (the “**Pomona WRP**”); and (ii) local groundwater that is pumped from five wells that the District owns and operates within the Puente Groundwater

Basin (the “**Puente Basin**”) and the Spadra Groundwater Basin (the “**Spadra Basin**”). See the caption “THE WATER SYSTEM—Water Supply—Recycled Water.”

Land and Land Use

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

The population within the District’s service area is currently estimated to be approximately 93,046, as calculated using the California Department of Water Resources (“**DWR**”) Population Tool and geographic information system (“**GIS**”) analysis of 2023 census tract data within the District’s service area. Based upon Southern California Association of Governments growth rate projections, the population within the District’s service area is expected to be approximately 106,038 in 2040. Of the 27,479 Water System accounts as of March 31, 2024, approximately 92.8% were single family residential accounts. See the caption “THE WATER SYSTEM—Historical Water System Service Connections.”

Governance and Management

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

WALNUT VALLEY WATER DISTRICT BOARD OF DIRECTORS

<i>Name</i>	<i>Office</i>	<i>Occupation</i>	<i>Term Expires</i>
Theresa Lee	President, Division III	Business Owner	2026
Scarlett P. Kwong	First Vice President, Division V	Aerospace Project Engineer/Budget Manager	2024
Jerry Tang	Second Vice President, Division I	Environmental Scientist	2024
Henry Woo	Assistant Treasurer, Division IV	Architect/Business Owner	2024
Edwin M. Hilden	Director, Division II	Certified Financial Planner	2026

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

Sheryl L. Shaw, P.E., General Manager. Ms. Shaw has been with the District since 2000 and has served as General Manager since March 2024. Ms. Shaw previously served in a variety of roles at the District including Project Engineer, Engineering Manager, District Engineer, and most recently as Director of Engineering. Prior to joining the District, Ms. Shaw worked in various engineering roles in the private sector. Ms. Shaw is a Registered Professional Engineer in the State of California and holds certification as a Grade 5

Water Distribution Operator and a Grade 3 Water Treatment Operator. Ms. Shaw received a Bachelor of Science degree in Civil Engineering from California State Polytechnic University, Pomona.

Jared Macias, Assistant General Manager. Mr. Macias has been with the District since 2022, joining the District as Assistant General Manager. Prior to joining the District, Mr. Macias previously served as the Assistant Director of Utilities, Water Operations for the City of Azusa and began his career in the water industry in 2007, serving in a variety of roles at the City of Whittier, the City of Glendora, the SouthWest Water Company and the East Pasadena Water Company. Mr. Macias is certified as a Grade 5 Water Distribution Operator and a Grade 3 Water Treatment Operator. He has obtained a certificate in Project Management from the University of California, Los Angeles and received an Associate of Science degree in Business Administration from Mt. San Antonio College.

Joshua Byerrum, Director of Finance. Mr. Byerrum has been with the District since 2018, previously serving as the Accounting Manager for the District, and has been the Director of Finance for the District since 2021. Prior to coming to the District, Mr. Byerrum worked as an Accounting Manager for Platinum Consulting Group, where he oversaw the accounting functions for eight different agencies. Mr. Byerrum is a registered Certified Public Accountant in the State of California.

Budget Process

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

The budget for Fiscal Year 2024 was approved by the Board on June 19, 2023.

District Insurance

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority ("ACWA/JPIA"), a risk-pooling, self-insurance authority for qualified State water agencies that was created under the provisions of California Government Code § 6500 *et seq.* ACWA/JPIA commenced operations on October 1, 1979. Members of ACWA/JPIA have pooled funds for liability and property insurance coverage, including both self-insured coverage and excess coverage purchased from commercial insurers. As of July 1, 2023, the District maintained the following coverages:

General, Automobile, Employment Practices and Public Officials' Liability. Coverage includes the District, its directors, employees and volunteers as covered parties through ACWA/JPIA up to \$5,000,000 per occurrence, and ACWA/JPIA has purchased additional coverage up to \$55,000,000 from commercial insurers, subject to policy aggregate limits and the terms of the Memorandum of Liability Coverage.

Property Loss. By participating in the ACWA JPIA Property Program (the "**Property Program**") as described in the Memorandum of Property Coverage, the District's scheduled property is covered up to replacement value with a \$5,000 deductible per occurrence for scheduled buildings, fixed equipment and contents, actual cash value on schedule mobile equipment with a \$1,000 deductible per occurrence and actual cash value on scheduled vehicles with a \$500 deductible per occurrence. ACWA/JPIA is self-insured up to \$10,000,000 per occurrence and has purchased re-insurance coverage up to a \$500,000,000 limit per occurrence. Scheduled fixed equipment is covered for accidental mechanical breakdown up to sub-limit of \$100,000,000 with deductible \$25,000 to \$50,000 depending on type of equipment. The Property Program includes the peril of earthquake for scheduled property up to a program aggregate limit of \$2,500,000, subject to a minimum \$75,000 deductible.

The Property Program coverage applies only to scheduled assets, and portions of the Water System, including subsurface pipelines, are not scheduled and therefore not included in the coverage. See the caption “CERTAIN RISKS TO BONDHOLDERS—Natural Disasters.”

Workers Compensation. The District is covered by participating in the ACWA/JPIA Program up to statutory limits. Employers’ liability is covered up to \$2,000,000 per accident and \$2,000,000 per disease. ACWA/JPIA is self-insured up to \$2,000,000 and excess coverage has been purchased.

Cyber Liability. The District participates in a group purchase and is insured with a limit up to \$3,00,000 per member limit and \$5,000,000 aggregate limit. The cyber liability deductible varies from \$50,000 to \$100,000 depending on the District’s total scheduled values.

Employee Dishonesty/Crime Coverage. By participating in the ACWA JPIA Property Program, the District participates in the Crime Program with limits up to \$100,000 per occurrence with a \$1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program includes the District employees, the Board of Directors and the Treasurer as covered parties.

Underground Storage Tank Pollution Liability. The District is insured for third-party claims arising from bodily injury and property damage caused by environmental incidents resulting from an underground storage tank. Coverage also includes government-mandated cleanup costs through ACWA/JPIA up to \$500,000, and ACWA/JPIA has purchased additional coverage up to \$3,000,000 aggregate, with a deductible of \$10,000.

The occurrence of any natural disaster in the District’s service area, including, without limitation, fire, earthquake, landslide, drought, high winds or flooding, could have an adverse material impact on the economy within the District, the Water System and the Revenues that are available for the payment of the Series 2024 Installment Payments. The District is located in a seismically active area, with the Whittier Narrows fault passing near the District’s service area. Unmapped faults may also exist within the District’s service area.

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

Currently, there are no reported claims that have exceeded the coverage in the last three fiscal years. During the past three years there have been adjustments to the coverage as reported in the ACWA JPIA annual Program Committee Meetings.

Outstanding Parity Bonds and Contracts

No Outstanding Senior Obligations. The District has no outstanding obligations that are payable from Net Revenues on a senior basis to the obligation to make the Series 2024 Installment Payments.

2021A Bonds. On August 19, 2021, the District issued its Water Revenue Refunding Bonds, Series 2021A (Federally Taxable) (the “**2021A Bonds**”) in the original aggregate principal amount of \$15,380,000, of which \$15,380,000 was outstanding as of June 30, 2023. The 2021A Bonds mature in 2038 and bear interest at rates between 0.468% and 2.564% per annum. The 2021A Bonds are payable from Net Revenues on a parity with the Series 2024 Installment Payments.

Additional Parity Bonds and Contracts. The District is permitted to incur additional obligations that are payable from Net Revenues on a parity with the Series 2024 Installment Payments in the future upon satisfaction of the conditions that are described under the caption “SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts.”

1% Ad Valorem Property Tax Revenues

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

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

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

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

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

WALNUT VALLEY WATER DISTRICT ASSESSED VALUATION HISTORY

<i>Fiscal Year</i>	<i>Secured Value</i>	<i>Unsecured Value</i>	<i>Less Exemptions</i>	<i>Total Taxable Assessed Value</i>	<i>% Increase</i>
2020	\$19,430,013,207	\$426,707,212	\$117,134,622	\$19,739,585,797	N/A
2021	20,152,545,282	479,220,844	114,891,000	20,516,875,126	3.94%
2022	20,637,358,736	490,212,519	113,673,000	21,013,898,255	2.42
2023	21,645,850,497	464,616,645	113,022,000	21,997,445,142	4.68
2024	22,697,212,489	508,766,711	111,153,000	23,094,826,200	4.99

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

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

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

The exclusive means of forcing the payment of delinquent taxes with respect to secured property is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. In accordance with the State Revenue and Taxation Code, the County Treasurer-Tax Collector collects secured tax levies for each Fiscal Year in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent

after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer-Tax Collector.

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

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

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

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

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

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

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

Set forth in the table below are property tax collections in the District as of June 30 for the last five Fiscal Years for which information is available. The County does not participate in the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the "**Teeter Plan**"), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State, and the District is therefore exposed

to the risk of delinquencies in the payment of property taxes. However, the District receives penalties and interest when property taxes are paid late. The District also receives supplemental taxes throughout the year.

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

<i>Fiscal Year</i>	<i>Total Collections Within Fiscal Year of Levy⁽²⁾</i>
2020	\$1,162,465
2021	1,199,446
2022	1,232,651
2023	1,378,819
2024 ⁽¹⁾	1,196,441

⁽¹⁾ Reflects results through April 30, 2024 only. Subject to change.

⁽²⁾ Includes collections from unpaid taxes in prior years

Sources: Los Angeles County Auditor; District.

Standby Charges

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

Standby charge revenues constitute Revenues which are pledged to the payment of the Series 2024 Installment Payments.

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

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

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

WALNUT VALLEY WATER DISTRICT HISTORICAL STANDBY CHARGES AND COLLECTIONS

<i>Fiscal Year</i>	<i>Standby Charge Revenues</i>	<i>Standby Charges Collected Within Fiscal Year of Levy</i>	<i>Percent of Levy Collected within Fiscal Year of Levy</i>
2020	943,533	795,775	84.34
2021	936,980	766,999	81.86
2022	928,031	718,171	77.39
2023	946,259	761,611	80.49
2024 ⁽¹⁾	954,199	658,283	68.99

⁽¹⁾ Reflects results through April 30, 2024 only.

Source: Los Angeles County Auditor.

COVID-19 Outbreak

The spread of the strains of coronavirus which are collectively called SARS-CoV-2, which cause the disease known as COVID-19 (“**COVID-19**”), and governmental actions in response to COVID-19, impacted the District’s operations and finances in recent years. In response to the initial outbreak, the World Health Organization declared a pandemic and, on March 4, 2020, as part of the State of California’s (the “**State**”) response to the outbreak, the State Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments.

The District reports that Water System operations, revenues and expenses for Fiscal Years 2020 through 2022 were not materially affected by the COVID-19 outbreak. See the caption “WATER SYSTEM FINANCIAL INFORMATION.”

THE WATER SYSTEM

General

In Fiscal Year 2023, the Water System, excluding wholesale sales to other water agencies as discussed under the caption “—Wholesale Deliveries,” delivered approximately 12,929 acre feet of potable water and 1,538 acre feet of recycled water to a population of approximately 93,046 within the District’s service area through approximately 27,133 potable water connections and 346 recycled water connections.]

The Water System consists of various physical components, including approximately 425 miles of water transmission pipelines, 18 booster pump stations, five groundwater wells which provide recycled water to District customers and 32 storage reservoirs with a combined capacity of 95.6 million gallons. The District’s recycled water system is separate from its potable water system.

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

Water Supply

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

The District has four potential sources of potable water: (i) imported water that the District purchases from MWD through TVMWD, an MWD member agency, as discussed under the subcaptions “—Potable Water—General” and “—Potable Water—MWD;” (ii) water purchased from La Habra and Orchard Dale through a joint arrangement with Rowland, as discussed under the subcaption “—Potable Water—Regional Water Supply Reliability Program;” (iii) water purchased from Cal Domestic through a joint arrangement with

Rowland, as discussed under the subcaption “—Potable Water—Cal Domestic Supply;” and (iv) water pumped from wells in Six Basins through a joint arrangement with Rowland, as discussed under the subcaption “—Six Basins Supply.” The District has sufficient capacity from its connections to MWD facilities to meet the potable water demands of its customers with MWD supplies alone.

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

Potable Water.

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

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

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

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

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

TVMWD is a wholesale water agency with 13 customers, which are referred to as “members,” in a 133 square mile service area in the southeastern portion of the County. The District’s service area comprises a portion of TVMWD’s service area. TVMWD was established in 1950 in order to become a member of MWD and gain access to imported water supplied by MWD. TVMWD has a 7-member board of directors the members of which are elected by division. The District has two members representing the District’s service area (Division 2 and 5) on the TVMWD board of directors.

MWD. MWD, which was created in 1928, is the largest wholesale water agency in the United States, distributing water to a service area that extends from Ventura to the California-Mexico border over 5,200 square miles in the County and the counties of Orange, Riverside, San Bernardino, San Diego and Ventura. MWD’s primary purpose is to provide a supplemental supply of water for domestic and municipal uses at wholesale rates to its member agencies. MWD is comprised of 26 member agencies, including 14 cities, 11 municipal water districts (including TVMWD) and one county water authority. TVMWD has one representative on MWD’s board of directors.

MWD sells water directly to its member agencies such as TVMWD, and through subsidiary agencies such as the District. The District pays TVMWD for MWD water supplies, with invoices charged to Puente Basin Water Agency, a joint exercise of powers agency between the District and Rowland, as further described under the subcaption “—Regional Water Supply Reliability Program,” and through the PWR Commission.

TVMWD’s charge to the Water System consists of three components: (a) TVMWD’s cost to purchase treated water from MWD less/more the TVMWD treatment discount/surcharge, as detailed below; (b) an MWD capacity reservation charge in the current amount of \$28,382 per month; and (c) TVMWD fixed charges in the current amount of \$4,828 per month.

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

<i>Rates Effective Beginning</i>	<i>Full Service Domestic</i>		<i>Interim Agricultural Program⁽¹⁾</i>		<i>Direct Replenishment⁽¹⁾</i>	
	<i>Treated⁽²⁾</i>	<i>Untreated</i>	<i>Treated</i>	<i>Untreated</i>	<i>Treated</i>	<i>Untreated</i>
January 1, 2024 Tier 1	\$1,264	\$903	N/A	N/A	N/A	N/A
January 1, 2024 Tier 2	1,463	1,102	N/A	N/A	N/A	N/A
January 1, 2025 Tier 1	1,411	928	N/A	N/A	N/A	N/A
January 1, 2025 Tier 2 ⁽³⁾	--	--	N/A	N/A	N/A	N/A
January 1, 2026 Tier 1	1,544	1,000	N/A	N/A	N/A	N/A
January 1, 2026 Tier 2 ⁽³⁾	--	--	N/A	N/A	N/A	N/A

(1) These programs are currently unavailable.

(2) Rates shown are reflective of the TVMWD treatment cost of \$8.00 per acre foot, \$16.00 per acre foot and \$16.00 per acre foot for 2024, 2025 and 2026, respectively.

(3) MWD did not adopt Tier 2 rates effective January 1, 2025 and January 1, 2026 as part of its biennial budget for Fiscal Years 2025 and 2026.

Source: District.

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

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

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

Regional Water Supply Reliability Program. In 1971, the District and Rowland formed a joint exercise of powers agency, the Puente Basin Water Agency (the “**Agency**”), to carry out water supply projects and groundwater basin management projects jointly. In 2012, in an effort to increase potable water supply reliability and manage future imported water supply costs, the District and Rowland created the Regional Water Supply Reliability Program (the “**RWSR Program**”), which encompasses various projects that the Agency will undertake to procure new water supplies. The RWSR Program includes the acquisition of a water supply from supplemental sources as detailed in the following paragraphs.

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

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

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

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

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

The La Habra and Orchard Dale wells have been impacted by the presence of PFAS (as discussed below under the caption “—Water Quality—PFAS”). La Habra is pursuing funding to pay for PFAS treatment

facilities. Water is not currently expected to be produced from La Habra and Orchard Dale wells for the next five years.

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

Cal Domestic Supply. In 2015, in an effort to increase potable water supply reliability and manage future imported water supply costs, the District and Rowland began taking delivery of water supplied by Cal Domestic, a mutual water company that has water rights in the Main San Gabriel Groundwater Basin (the “**Main San Gabriel Basin**”), pursuant to a joint project that was constructed by the District and Rowland. The project consists of the installation of a connection to Cal Domestic’s transmission system, a 24-inch flow meter, a block pump house building, five 250 horsepower vertical turbine pumps which can each pump up to 1,250 gallons per minute, chlorine and ammonia storage tanks and feed pumps, chlorine analyzers, approximately 15,500 feet of 24-inch diameter cement mortar lined and coated steel pipe and a pressure reducing station. The water supply infrastructure and treatment facilities are owned and operated by the Agency. The Agency also completed construction of the Pathfinder project, which consists of the installation of approximately 8,400 feet of 20-inch diameter cement mortar lined and coated steel pipe, and three metered intertie structures, in order to ensure more efficient delivery of water supplies from Cal Domestic. The Pathfinder project came online October 7, 2021.

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

The water supplied under the Cal Domestic Agreement consists of: (i) groundwater from the Central Basin pursuant to the Agency’s rights therein; and (ii) imported MWD water that was previously purchased by the District and Rowland and stored in the Main San Gabriel Basin under the terms of a Storage and Export Agreement, dated July 1, 2015 (as amended on September 2, 2020, the “**Storage Agreement**”), between the Agency and the Main San Gabriel Basin Watermaster. Under the Storage Agreement, the District and Rowland can store a total of up to 30,000 acre feet of imported surface water in the Main San Gabriel Basin; as of December 31, 2023, approximately 23,343 acre feet is stored. The project has produced an average of approximately 560 acre feet of potable water per year.

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

Six Basins Supply. In 2018, in an effort to increase potable water supply reliability and manage future imported water supply costs, the District and Rowland began construction of the Six Basins Supply Project, under which the District and Rowland will take delivery of water supplied from two wells in Six Basins, a group of adjacent adjudicated groundwater basins that are located south of the San Gabriel Mountains in the eastern portion of the County and western San Bernardino County. The project consists of the rehabilitation and reactivation of the Old Baldy Well, which had become contaminated with nitrates and which is owned by the

City of La Verne, and the construction of the replacement Durward Well, which was owned by Golden State Water Company, in addition to the construction of approximately 4,000 feet of 12-inch to 20-inch diameter pipeline to connect the water produced from such wells to the Joint Water Line (as discussed under the subcaption “—General”), bypass structures, flow control valves and Supervisory Control and Data Acquisition system components at each facility. The water supply infrastructure is owned by the Agency. The Six Basins Supply Project has received State grant funding in the amount of \$2,980,102 and is expected to be completed by mid-2024. The Six Basins Supply Project will be governed by contracts that extend through 2038, with four 5-year extensions that will apply automatically unless any party wishes to terminate its participation.

The operation of the two wells is expected to supply up to 2,363 acre feet of potable water per year which will be shared equally between the District and Rowland and blended with MWD supplies that are imported through the Joint Water Line. The water supplied from the two wells is either owned by the Agency or leased from the well owners.

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

Recycled Water.

Recycled Water Purchases. The District supplies non-potable recycled water to nursery, school, golf course, park, greenbelt, landscape maintenance and other customers for irrigation purposes. The District’s primary source of recycled water supplies is treated wastewater from LACSD’s Pomona WRP. Pursuant to a contract between the District and LACSD, the District may purchase up to 3,360 acre feet of recycled water per year. The availability of recycled water is dependent upon wastewater flow into the Pomona WRP, which varies seasonally and with precipitation levels. The District’s agreement with LACSD was executed on November 14, 2007 and has a term of 25 years from the date of execution. The District has a one-time option to extend the contract for an additional 25-year term. LACSD’s charges to the District include the cost of water and an annual capacity charge. For Fiscal Year 2023, the cost of water delivered was \$141.49 per acre foot and the annual capacity charge was \$85,458.

LACSD is a public agency which consists of 24 independent special districts that collectively serve approximately 5.5 million people in an 850-square mile service area within the County. LACSD operates a regional wastewater collection system which includes approximately 1,400 miles of sewers, 49 pumping plants and 11 wastewater treatment plants that transport and treat approximately half of the wastewater that is generated in the County. LACSD treats approximately 400 million gallons of water per day (not all of which is treated to recycled water standards) and is the largest producer of recycled water in the United States.

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

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

LACSD faces various challenges in the continued supply of recycled water to the District. A description of the supply challenges faced by LACSD, as well as a variety of other operating information with respect to LACSD, is included in certain disclosure documents prepared by LACSD. LACSD has disseminated publicly available documents and has entered into continuing disclosure undertakings pursuant to which LACSD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file annual reports, notices of certain enumerated events as defined under Rule 15c2-12 and annual audited financial statements (the “**LACSD Information**”) with EMMA. None of the LACSD Information is incorporated into this Official

Statement by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. LACSD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE BONDS TO PROVIDE LACSD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE BONDS.

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

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

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

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

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

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

Although the Spadra Basin has been designated as a low priority groundwater basin by DWR under SGMA, the District and the City of Pomona, which are the major producers of groundwater from the Spadra Basin, have established the Spadra Basin Groundwater Sustainability Agency (the “**Spadra Basin GSA**”) to manage the Spadra Basin, and DWR has recognized the Spadra Basin GSA as the GSA for the Spadra Basin. The Spadra Basin GSA developed a GSP for the Spadra Basin and submitted the GSP for approval on January

17, 2022 in accordance with the deadline that is set forth in SGMA. The Spadra Basin GSA has received grant funding from DWR's Proposition 1 Sustainable Groundwater Management Grant Program in the amount of \$338,500 to prepare a GSP.

The District does not currently expect its groundwater extraction rights or costs in the Spadra Basin to change significantly as a result of the enactment of SGMA because the combined extractions of all rights holders in the Spadra Basin are less than what the District expects the GSP to establish as a safe yield for the Spadra Basin, and because the District pumps groundwater from only one well in the Spadra Basin for the sole purpose of supplementing its recycled water supplies.

Drought Declarations.

State Orders. The water years 2020 through 2022 combined ranked as the three driest years in California's statewide precipitation record. (A water year begins on October 1 and ends on the following September 30.) While severe drought conditions did not materially impact the District's water supplies during such period, beginning in April 2021, the Governor issued a series of drought emergency proclamations affecting various counties throughout the State, culminating in an October 19, 2021 proclamation declaring a drought state of emergency to be in effect statewide and directing all local water suppliers to implement water shortage contingency plans at a level appropriate to local conditions. A water shortage was not triggered under the District's water shortage contingency plan due to its sufficient supply-demand balance and demand reduction measures were not implemented.

On March 28, 2022, the Governor issued an executive order directing the State Water Resources Control Board ("SWRCB") to consider adopting regulations by May 25, 2022, to require urban water suppliers with water shortage contingency plans to implement, at a minimum, shortage response actions for a shortage level of up to 20 percent (a "Level 2" shortage). On May 24, 2022, in response to the executive order, the SWRCB adopted a new emergency water conservation regulation. The new regulation temporarily banned irrigating turf with potable water at commercial, industrial, and institutional properties, such as grass in front of or next to large industrial or commercial buildings. The ban did not include watering turf used for recreation or other community purposes, water used at residences or water to maintain trees. The regulation also required all urban water suppliers to implement conservation actions under Level 2 of their water shortage contingency plans. Complying with state requirements, the District launched a targeted outreach campaign designed to notify customers of the new water use restrictions, encourage a 20% voluntary reduction in water use by all customers, and provide tips and resources for conserving water. However, under supply and demand projections, the District had sufficient supplies to serve customers without triggering a Stage I Water Shortage under the District's water shortage contingency plan.

On May 24, 2023, Governor Newsom issued an executive order easing water restrictions that were no longer necessary following a series of storms that ended the drought. The initial SWP allocation for 2023 was 5%, and increased to 30% in February 2023 and again to 75% in March 2023, with a final allocation of 100% announced in April 2023 as a result of improved water supply conditions. As of April 2024, the SWP allocation for 2024 is 30% and expected to increase based on total precipitation and snowfall.

In 2018, Senate Bill 606 and Assembly Bill 1668 were signed into law and established a new framework for long-term improvements in urban water use efficiency and drought planning as California adapts to climate change impacts. Senate Bill 606 and Assembly Bill 1668 require that long-term urban water use efficiency standards be set so that urban retail water suppliers' urban water use objectives, together with other water uses excluded from the long-term standards, would exceed the statewide 2020 water conservation targets required pursuant to SB X7-7. Senate Bill 606 and Assembly Bill 1668 require the California Department of Water Resources, in coordination with the SWRCB, adopt long-term standards, appropriate variances, guidelines, and methodologies for calculating urban water use objectives by June 30, 2022. The urban water use objective is the sum of the aggregate estimates of:

- Efficient indoor residential water use
- Outdoor residential water use
- Outdoor irrigation of landscape areas with dedicated irrigation meters or equivalent technology in connection with commercial, industrial, and institutional (“CII”) water use
- Water losses
- Approved variances
- Bonus incentive (i.e. potable water reuse)

The SWRCB has held a series of workshops and public comment periods to obtain feedback on the proposed regulations. It is expected they will adopt the final rule in mid-2024. Under the proposed language, urban water suppliers, including the District, will be required to achieve their objective by January 1, 2027.

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

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

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

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

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

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

Stage 6 (Water Supply Shortage) of the WSCP calls for a reduction in potable water greater than 50%. In addition, to Stage 5 restrictions, additional restrictions may be implemented as determined by the District, after notice to customers.

In conjunction with the determination to implement a given stage of the WSCP, the Board is also authorized to impose drought rate surcharges on potable water commodity charges to discourage excess potable water consumption during times of water shortage. Such surcharges are detailed under the caption “—Water System Rates and Charges—Current Rates and Charges.”

The WSCP empowers the District to levy financial penalties against customers that fail to comply with water use restrictions and to install a flow restrictor for customers that do not comply despite repeated notices from the District.

Implementation of additional stages of the WSCP in the future may result in lower water sales revenues; however, such measures are also expected to result in lower operating costs, in particular imported water costs. The projected operating results that are set forth under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” reflect the continued implementation of Stage 2 of the WSCP through Fiscal Year 2028. The District does not believe that the implementation of additional stages of the WSCP will have a material adverse effect on its ability to generate sufficient Net Revenues to make the Series 2024 Installment Payments when due.

If a water shortage should arise, legal issues exist as to whether different California Water Code provisions should be invoked to require reasonable regulations for the allocation of water in time of shortage, with statutory provisions prioritizing the use of water for domestic water use. Any curtailment that is accompanied by an increase in water supply costs could necessitate an increase in the District’s water rates. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Wholesale Deliveries

Suburban Water Systems (“SWS”), Golden State Water Company (“GSWC”) and Valencia Heights Water Company (“VHWC”) (collectively, the “**Wholesale Suppliers**”), which are privately owned water companies that serve retail customers in the southeast portion of the County, receive a portion of their water supplies through the District’s Water System. SWS and GSWC are investor-owned utilities regulated by the California Public Utilities Commission and VHWC is a mutual water company, which provides water service to its shareholders. The amount of water that is delivered through the District’s Water System is subject to request by the Wholesale Suppliers and varies from year to year depending on hydrological conditions and such companies’ ability to access other supply sources to which they have entitlements. Both Suburban Water Systems and Golden State Water Company have water allocations from TVMWD and maintain their own groundwater wells.

The Wholesale Suppliers pay the District for water that is delivered through the District’s Water System at cost. The District does not budget for or receive significant Net Revenues from such deliveries, with the revenues that are received being largely proportional to the District’s costs of making such deliveries. Similarly, the District does not acquire additional supplies to serve the Wholesale Suppliers, with the water delivered consisting of supplies that the Wholesale Suppliers have acquired on their own. For the foregoing reasons, many of the Water System operations tables that are set forth herein exclude deliveries to the Wholesale Suppliers and the revenues therefrom.

Water Quality

General. Although the District operates groundwater wells and holds groundwater extraction rights in the Puente Basin and Spadra Basin (as discussed under the caption “—Water Supply—Recycled Water—Supplemental Recycled Water”), the Puente Basin and Spadra Basin are contaminated with volatile organic compounds, including perchlorate, trichloroethylene and tetrachloroethylene, total dissolved solids and nitrates in amounts that exceed maximum contaminant levels. As a result, water extracted from the Puente Basin and Spadra Basin is not suitable for consumption without extensive treatment. The western portion of the Puente

Basin lies within a Superfund site known as the Puente Valley Operable Unit and is being remediated under a process that is led by the United States Environmental Protection Agency. The costs of such remediation are being borne by the United States and private defense contractors, the prior operations of which were found to have caused the contamination. The District is not liable for such costs.

It is anticipated that water pumped from the Puente Basin and Spadra Basin will continue to be used to supplement recycled water purchases in the future. The District does not expect that remediation of the Puente Basin or Spadra Basin, through the Puente Valley Operable Unit, will result in the ability to extract potable water from such groundwater basins for many decades. However, the District, through the Agency, is engaged in a feasibility study to construct treatment facilities that would treat groundwater from the Puente Basin and/or the Spadra Basin to potable water standards, which would supplement current imported water supplies.

Imported water that is purchased from MWD meets all applicable drinking water standards, while imported water that is purchased under the Water Production Agreement and the Cal Domestic Agreement or extracted from the Six Basins wells is subject to minimal treatment (primarily the infusion of chlorine and ammonia).

Recycled water that is purchased from LACSD meets the requirements for tertiary treated water under Title 22 of California Code of Regulations and is suitable for outdoor irrigation.

PFAS. In 2019, the State of California Water Resources Control Board's Division of Drinking Water (the "**Division**") lowered the Notification Levels (the "**NLs**") for Perfluorooctanoic acid ("**PFOA**") and Perfluorooctanesulfonic acid ("**PFOS**") to 5.1 and 6.5 parts per trillion ("**PPT**"), respectively. NLs are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. In 2020, the Division lowered the Response Level (the "**RL**") for PFOA and PFOS from 70 PPT, combined, to 10 and 40 PPT, respectively. RLs are non-regulatory, precautionary health-based measures that are set at higher levels than NLs and represent thresholds at which the Division recommends that water utilities remove a water source from use or treat it.

PFOA and PFOS are fluorinated organic chemicals which are part of a family of synthetic compounds that are known as per- and polyfluoroalkyl substances ("**PFAS**"). PFAS are water and lipid resistant substances that are useful for a variety of manufacturing processes and industrial applications. They are often present in water supplies which are impacted by wastewater treatment plant effluent or active or former military installations.

Evidence suggests that PFAS have been in groundwater basins in the County in very low concentrations for many years. Recent technological advances enable water agencies to detect PFAS compounds at very low concentrations. To date, the District has not been required to test its wells for PFAS because the District does not provide water that is extracted from the District's wells to customers for domestic consumption; instead, the District purchases imported potable water supplies from sources that do not contain PFAS, including the Colorado River and northern California watersheds. The District understands that groundwater in the Central Basin and certain portions of the Main San Gabriel Basin has been determined to contain PFAS, while PFAS has not been detected in groundwater in the Six Basins. As discussed under the caption "**—Water Supply—Potable Water—Regional Water Supply Reliability Program,**" the District is not currently taking delivery of water from the Central Basin. Cal Domestic currently blends the water that it produces from the Main San Gabriel Basin in order to reduce PFAS concentrations to levels that are below the applicable regulatory thresholds prior to delivery to the District. Cal Domestic installed PFAS treatment facilities and is awaiting issuance of an amendment to its Operating Permit in order to place those facilities into operation. The District's goal is to ensure that all drinking water which is served to customers does not contain PFAS in amounts which are above the NLs, which are lower than the RLs. Any groundwater that the District obtains from local basins in which PFAS is present will be treated and/or blended with other sources.

The District does not anticipate that implementation of the lower RLs will have a material adverse effect on the operation of the Water System or on the operating costs thereof. The projected operating results which are set forth under the caption “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results” do not assume significant increases in water treatment or Water System operating costs to meet State regulations relating to PFAS.

Historical Water Supply

Set forth below is a summary of the District’s sources of water supply for the last five Fiscal Years. Water which is delivered through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers’ own entitlements is excluded from the table. See the caption “—Wholesale Deliveries.”

WALNUT VALLEY WATER DISTRICT HISTORICAL WATER SUPPLY IN ACRE FEET PER YEAR

<i>Fiscal Year</i>	<i>Wells (Recycled)⁽¹⁾</i>	<i>Imported (Recycled)⁽¹⁾</i>	<i>Imported (MWD)⁽²⁾</i>	<i>Imported (TVMWD)⁽³⁾</i>	<i>Projects⁽⁴⁾</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2019	775	937	13,101	2,434	741	18,173	N/A
2020	722	1,251	14,250	1,824	556	18,603	2.37%
2021	1,086	1,362	13,367	3,935	552	20,302	9.13
2022 ⁽⁵⁾	782	1,552	14,104	2,442	297	19,178	(5.54)
2023 ⁽⁵⁾	462	1,240	10,984	2,242	695	15,623	(18.54)

⁽¹⁾ Non-potable.

⁽²⁾ Reflects water that is processed at MWD’s Weymouth Treatment Plant. Excludes water delivered to the Wholesale Suppliers. See the caption “—Wholesale Deliveries.”

⁽³⁾ Reflects water that is processed at TVMWD’s Miramar Treatment Plant.

⁽⁴⁾ Reflects aggregate amount of water purchased under the RWSR Program and Cal Domestic Agreement and from Six Basins well extractions. See the caption “—Water Supply—Potable Water.”

⁽⁵⁾ Decrease reflects wet hydrological conditions and conservation.

Source: District.

Historical Water System Service Connections

The following table shows the number of connections to the Water System and water use by customer type for Fiscal Year 2023.

WALNUT VALLEY WATER DISTRICT NUMBER OF UNITS SERVED AND WATER USE BY CATEGORY AS OF JUNE 30, 2023

<i>Customer Category⁽¹⁾</i>	<i>Number of Connections</i>	<i>Percentage of Total Connections</i>	<i>Water Sales in Acre Feet</i>	<i>Percentage of Water Sales</i>
Residential	25,497	92.9%	9,297	64.3%
Multi-Family	163	0.6%	1,511	10.4%
Commercial/Industrial/ Institutional	1,457	5.3%	2,121	14.7%
Recycled	<u>343</u>	<u>1.2%</u>	<u>1,538</u>	<u>10.6%</u>
Total	27,460	100.00%	14,467⁽²⁾⁽³⁾	100.00%

⁽¹⁾ Excludes private fire lines, temporary construction meters and District-owned and certain other connections.

⁽²⁾ The difference between total Water Sales in Acre Feet and Fiscal Year 2023 water deliveries as shown under the caption “—Historical Water System Deliveries” primarily reflects water loss.

⁽³⁾ Excludes water deliveries through temporary construction meters.

Source: District.

The following table shows the number of service connections to the Water System for the last five Fiscal Years.

**WALNUT VALLEY WATER DISTRICT
HISTORICAL WATER SYSTEM SERVICE CONNECTIONS**

<i>Fiscal Year</i>	<i>Potable⁽¹⁾</i>	<i>Recycled⁽²⁾</i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2019	27,072	304	27,376	N/A
2020	27,079	327	27,406	0.11%
2021	27,093	338	27,431	0.09
2022	27,101	340	27,441	0.04
2023	27,117	343	27,460	0.07

⁽¹⁾ Excludes private fire lines, temporary construction meters and District connections.

⁽²⁾ Non-potable. Excludes District connections.

Source: District.

Historical Water System Deliveries

The following table shows historical deliveries for the Water System for the last five Fiscal Years. Differences between historical water deliveries set forth below and historical water supply set forth under the caption “—Historical Water Supply” reflect water loss and the District’s use of water for internal purposes.

Water which is delivered through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers’ own entitlements is excluded from the table. See the caption “—Wholesale Deliveries.”

**WALNUT VALLEY WATER DISTRICT
HISTORICAL WATER SYSTEM DELIVERIES IN ACRE FEET PER YEAR**

<i>Fiscal Year</i>	<i>Potable⁽¹⁾</i>	<i>Recycled</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2019	15,444	1,784	17,228	N/A
2020	15,751	1,921	17,672	2.58%
2021	16,949	2,356	19,305	9.34
2022 ⁽²⁾	15,859	2,229	18,088	(6.30)
2023 ⁽²⁾	12,929	1,538	14,467	(20.02)

⁽¹⁾ Excludes District consumption, temporary construction meters and deliveries to Wholesale Suppliers. See the caption “—Wholesale Deliveries.”

⁽²⁾ Decrease reflects wet hydrological year and conservation.

Source: District.

Historical water deliveries reflect the number of connections to the Water System as well as water demand, which is affected by weather conditions, economic conditions and other factors.

Historical Water System Sales Revenues

The following table shows Water System sales revenues for the last five Fiscal Years. Revenues from hydroelectric sales, standby charges and deliveries through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers’ own entitlements are all excluded from the table. See the caption “—Wholesale Deliveries.”

**WALNUT VALLEY WATER DISTRICT
HISTORICAL WATER SYSTEM SALES REVENUES**

<i>Fiscal Year</i>	<i>Potable</i>	<i>Recycled</i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2019	\$32,212,411	\$1,634,443	\$33,846,854	N/A
2020	32,738,891	1,816,820	34,555,711	2.09
2021	35,853,560	2,199,928	38,053,488	10.12
2022 ⁽¹⁾	35,195,993	2,155,578	37,351,571	(1.84)
2023 ⁽¹⁾	31,993,328	1,665,973	33,659,301	(9.89)

⁽¹⁾ Decrease reflects wet hydrological year and conservation.
Source: District.

Water System service charges and sales revenues reflect water deliveries described under the caption “—Historical Water System Deliveries” as well as rates and charges described under the caption “—Water System Rates and Charges.”

Largest Water System Customers

The following table shows the ten largest retail customers of the Water System for Fiscal Year 2023, as determined by annual payments. Revenues from deliveries to the Wholesale Suppliers pursuant to the Wholesale Suppliers’ own entitlements are excluded from the table. See the caption “—Wholesale Deliveries.”

**WALNUT VALLEY WATER DISTRICT
LARGEST WATER SYSTEM CUSTOMERS**

<i>Customer</i>	<i>Type of Business</i>	<i>Annual Payments⁽¹⁾</i>	<i>Percent of Total Revenues⁽¹⁾</i>
1. City of Diamond Bar	Government	\$ 495,996	1.47%
2. City of Walnut	Government	472,181	1.40
3. Montefino Homeowners Assoc.	Homeowner's Association	402,370	1.20
4. Walnut Unified School Dist.	Government	373,181	1.11
5. Pomona Unified School Dist.	Government	273,046	0.81
6. City of Industry	Government	249,594	0.74
7. Diamond Bar Tennis Club HOA	Association	233,440	0.69
8. Rowland Unified School Dist.	Government	122,511	0.36
9. Majestic Management	Industrial/Commercial	120,630	0.36
10. American Golf Corp	Golf Course	<u>105,855</u>	<u>0.31</u>
Total		\$ 2,848,805	8.46%

⁽¹⁾ Reflects amounts through June 30, 2023.
Source: District.

Water System Rates and Charges

General. District rates and charges for water service are set by the Board and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The District is, however, required to comply with the notice, hearing and majority protest provisions of Article XIII D of the State Constitution, which is popularly known as Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for further information with respect to Proposition 218.

The District annually determines the adequacy of the charge structure for water service in the service area after full consideration of expected operations, maintenance, capital costs and capital repayment obligations of the Water System. The Board sets water rates and charges at a level that it determines is sufficient to pay all Operation and Maintenance Costs of the Water System, to make debt service payments and to maintain appropriate reserves for the Water System.

The District has covenanted to fix and prescribe rates, fees and charges for the Water Service which are reasonably expected to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 125% of the Debt Service for such Fiscal Year. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Current Rates and Charges. The District has five water rate groups, each of which is described below.

- Potable water retail rates apply to water that is suitable for domestic consumption. Potable water retail rates consist of two components: (i) a monthly base rate meter charge which is determined based on water meter size; and (ii) a commodity charge that is based on the amount of water used.
- Fire protection rates apply to connections for private fire protection systems. These rates are separate from commodity charges for water used. The rates differ depending upon the type of fire hydrant: (i) Type One hydrants are on private property and connect directly to the Water System, with the District having an easement; (ii) Type Two hydrants are installed downstream of detector checks and vary depending upon the size of the detector check; there is no charge for the use of water through these hydrants for fire suppression or testing; and (iii) Type Three hydrants connect to the Water System by means of a fire meter; there is no separate charge for these hydrants, and any water used is billed at the Potable water retail commodity rate.
- Recycled water rates apply to water that is suitable for outdoor irrigation. Recycled water rates consist of two components: (i) a monthly base rate which is determined based on water meter size; and (ii) a use charge that is based on the amount of water used.
- Construction rates apply to water that is used for construction purposes pursuant to a District permit. Construction water rates consist of the following components: (i) a monthly base rate which is determined based on hydrant meter size; and (ii) a commodity charge that is based on the amount of water used.
- Miscellaneous rates enable the District to recover costs associated with late payments, disconnections or damage to the Water System. See the caption “—Collection Procedures.”

In addition, the District levies charges to recover pumping costs for customers at higher elevations.

In 2018, the District retained Raftelis, Inc. to conduct a potable and recycled water rate study to propose appropriate water rates for the District for calendar years 2020 through 2024. On January 23, 2020, after notice and a public hearing in accordance with Proposition 218, the Board adopted water rate increases for the second half of Fiscal Year 2020 through Fiscal Year 2024. The District has engaged IB Consulting, LLC to conduct a study on potable and recycled water rates. The study is expected to be completed and adopted by November 2024, with new rates to take effect on January 1, 2025.

The projected water revenues that are set forth under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” assume rate increases of approximately 10% per annum in Fiscal Years 2025 through 2028 that have not yet been adopted. All rate increases are subject to Board approval as well as the notice, public hearing and protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board will adopt rate increases as currently projected herein. There can also be no assurance that the Board will not repeal or modify any adopted rate increases in the future or that the District’s ratepayers will not approve an initiative to repeal or modify any increase in water service rates and charges approved by the Board.

Historical and adopted water rates and charges are set forth below.

**WALNUT VALLEY WATER DISTRICT
POTABLE AND RECYCLED WATER MONTHLY METER CHARGES**

<i>Meter Size</i>	<i>Fiscal Year 2022</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>
5/8" and 3/4"	\$ 22.80	\$ 23.94	\$ 25.14
1"	35.95	37.75	39.64
1.5"	68.83	72.28	75.90
2"	108.27	113.69	119.38
3"	213.50	224.18	235.39
4"	331.86	348.46	365.89
6"	660.65	693.69	728.38
8"	1,055.20	1,107.96	1,163.36

Source: District.

**WALNUT VALLEY WATER DISTRICT
WATER COMMODITY CHARGES**

<i>Customer Class</i>	<i>Fiscal Year 2022</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>
Residential			
Tier I (0-9 Units) ⁽¹⁾	\$3.25	\$3.42	\$3.60
Tier II (10-40 Units) ⁽¹⁾	4.34	4.56	4.79
Tier III (41+ Units) ⁽¹⁾	4.99	5.24	5.51
Multi-Family	3.71	3.90	4.10
Non-Residential	3.93	4.13	4.34
Recycled	2.07	2.18	2.29

⁽¹⁾ A unit is equivalent to 100 cubic feet of water, or approximately 748 gallons.
Source: District.

**WALNUT VALLEY WATER DISTRICT
PUMP ZONE CHARGES⁽¹⁾**

<i>Zone</i>	<i>Fiscal Year 2022</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>
Zone 1	\$0.00	\$0.00	\$0.00
Zone 2	0.28	0.30	0.32
Zone 3	0.50	0.53	0.56

⁽¹⁾ Pump Zone charges are levied per unit of water delivered.
Source: District.

As discussed under the caption “—Water Supply—Drought Declarations—District Response to Drought,” the Board is authorized to impose drought rate surcharges on potable water commodity charges (which are detailed above) to discourage excess potable water consumption during times of water shortage. Such surcharges, which are expressed as a percentage of the potable water commodity charge, are set forth below.

**WALNUT VALLEY WATER DISTRICT
DROUGHT RATE SURCHARGES**

<i>Customer Class</i>	<i>Stage 1 (15% Reduction)</i>	<i>Stage 2 (25% Reduction)</i>	<i>Stage 3 (35% Reduction)</i>	<i>Stage 4 (50% Reduction)</i>
<i>Residential</i>				
Tier I (0-9 Units) ⁽¹⁾	0%	0%	0%	0%
Tier II (10-40 Units) ⁽¹⁾	5	11	22	51
Tier III (41+ Units) ⁽¹⁾	29	57	77	120
<i>Multi-Family</i>	3	6	8	11
<i>Non-Residential</i>	3	6	9	12

⁽¹⁾ A unit is equivalent to 100 cubic feet of water, or approximately 748 gallons.
Source: District.

Capacity Charge. Effective February 22, 2022, the District imposes a capacity charge (the “**Capacity Charge**”) on any new property requesting a new or larger connection. The Capacity Charge is imposed by the District for: (a) public water facilities in existence at the time the fee is imposed; or (b) new public water facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged. The Capacity Charge is in addition to any and all other charges and requirements set forth by the District and revenues from the Capacity Charge are utilized for the construction of potable and recycled water system expansion and improvements, conservation projects, recycled water irrigation retrofits, and for any other related use that is approved the Board.

The Capacity Charge is based on meter size for new development and additional fixture units for existing connections. The rates for the Capacity Charge are shown below and may be adjusted for inflation each year, although the District has not increased the Capacity Charge since its initial adoption.

**WALNUT VALLEY WATER DISTRICT
CAPACITY CHARGE**

<i>Meter Size</i>	<i>Capacity Charge</i>
5/8”	\$ 5,630
3/4”	5,630
1”	9,384
1 1/2”	18,768
2”	30,029
3”	60,057
4”	93,840
6”	187,679
8”	300,287

Source: District.

The Capacity Charge imposed by the District replaced three separate land-based charges previously collected by the District: the “Acreage Supply Charge,” the “Reservoir Capacity Fee” and the “Water Supply Charge.” Each of these land-based charges was charged based on the acreage and land use of property connecting to the Water System, and the proceeds were used to finance capital improvements to the Water System.

Rate Comparison. The table below sets forth a comparison of the Water System’s typical monthly water bill for a single family residential user to those of certain nearby water purveyors as of April 1, 2024:

<i>Service Provider</i>	<i>Monthly Charge⁽¹⁾</i>
Golden State Water Company (City of San Dimas; City of Claremont) ⁽²⁾	\$ 122.95
Mesa Consolidated Water District	120.89
Rowland Water District	118.22
Monte Vista Water District	108.50
City of LaVerne (zone average)	106.64
Fontana Water Company (City of Fontana) ⁽²⁾	105.52
City of Chino Hills (zone average)	103.91
City of Pomona	96.31
Walnut Valley Water District	95.86
Suburban Water Systems (City of West Covina) ⁽²⁾	94.26
Yorba Linda Water District	91.51
City of Glendora	86.41
City of Upland	84.57
City of Chino	82.74
Cucamonga Valley Water District	61.45

⁽¹⁾ Reflects usage of approximately 17 units per month for a single family residential user with a 3/4" connection. A unit is equivalent to 100 cubic feet of water, or approximately 748 gallons.

⁽²⁾ Private water company; not a public agency.

Source: District.

Collection Procedures

The District is on a monthly billing cycle and the following collection procedures relate to the District's residential customers. Payment is due upon receipt of the District's bill and is considered delinquent if not paid by the 60th day after that date. If payment is not received by the 20th day following the invoice date, a 10% late penalty is charged. If payment is not received by the 45th day following the invoice date, an overdue notice is mailed. Delinquent accounts are subject to disconnection after 60 days, with a 7-business day disconnection notice being provided to the customer. Accounts that have been shut off may be reconnected upon payment in full of outstanding balances and penalties and a reconnection fee of \$27, with higher fees for multiple reconnections or requests for a reconnection after business hours, as well as administrative fees. Disconnected customers are also obligated to make a security deposit in an amount that is equal to three times the average water bill. As of March 31, 2024, approximately 2.8% of outstanding accounts receivable were more than 60 days delinquent, including customers who have entered into payment arrangements. Such delinquencies are in the total amount of approximately \$52,381, which is approximately \$10,289 more than the total delinquent amount in February 2020, prior to the COVID-19 outbreak.

Future Water System Improvements

The District projects total replacement and refurbishment to the Water System of approximately \$18,000,000 in the next five Fiscal Years (excluding certain carryover projects from the prior Fiscal Years), excluding the approximately \$33,000,000 in proceeds of the 2024 Bonds expected to be used to finance the acquisition of 2024 Project as described under the caption "THE 2024 PROJECT." Such replacement and refurbishment are expected to be financed by a combination of reserves, Revenues remaining after the payment of debt service on District obligations and grants. The District does not currently anticipate issuing additional Bonds or entering into additional Contracts to finance such replacement. See the caption "WATER SYSTEM FINANCIAL INFORMATION—District Reserves" for a discussion of the District's reserves, including the District's Reserve for Replacement.

Projected Water Supply

Set forth below is a summary of the District's projected sources of water supply for the current and next four Fiscal Years. Water deliveries through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers' own entitlements are not projected in the table. See the caption "—Wholesale Deliveries."

WALNUT VALLEY WATER DISTRICT PROJECTED WATER SUPPLY IN ACRE FEET PER YEAR

<i>Fiscal Year</i>	<i>Wells (Recycled)⁽¹⁾</i>	<i>Imported (Recycled)⁽¹⁾</i>	<i>Imported (MWD)⁽²⁾</i>	<i>Imported (TVMWD)⁽³⁾</i>	<i>Projects⁽⁴⁾</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2024	650	880	5,232	7,915	780	15,457	N/A
2025	615	970	7,100	7,806	600	15,506	0.32%
2026	700	1,000	6,900	7,400	1,500	15,800	1.9%
2027	700	1,000	6,900	6,800	2,100	15,800	0.00%
2028	700	1,000	6,900	6,100	2,800	15,800	0.00%

⁽¹⁾ Non-potable.

⁽²⁾ Reflects water that is processed at MWD's Weymouth Treatment Plant. Excludes water delivered to the Wholesale Suppliers. See the caption "—Wholesale Deliveries."

⁽³⁾ Reflects water that is processed at TVMWD's Miramar Treatment Plant.

⁽⁴⁾ Reflects aggregate amount of water purchased under the RWSR Program and Cal Domestic Agreement and from Six Basins well extractions. See the caption "—Water Supply—Potable Water—Cal Domestic Supply."

Source: District.

Projected Water System Service Connections

The following table shows the projected number of connections to the Water System for the current and next four Fiscal Years.

WALNUT VALLEY WATER DISTRICT PROJECTED WATER SYSTEM SERVICE CONNECTIONS

<i>Fiscal Year</i>	<i>Potable⁽¹⁾</i>	<i>Recycled⁽²⁾</i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2024	27,150	346	27,496	N/A
2025	27,300	350	27,650	0.6%
2026	27,300	350	27,650	0.0%
2027	27,500	355	27,855	0.7%
2028	27,500	355	27,855	0.0%

⁽¹⁾ Excludes private fire lines, temporary construction meters and District-owned and certain other connections.

⁽²⁾ Non-potable.

Source: District.

Projected Water System Deliveries

The following table shows projected deliveries for the Water System for the current and next four Fiscal Years. Differences between projected water deliveries set forth below and projected water supply set forth under the caption "—Projected Water Supply" reflect projected water loss and the District's projected use of water for other internal purposes.

Water deliveries through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers' own entitlements are not projected in the table. See the caption "—Wholesale Deliveries."

**WALNUT VALLEY WATER DISTRICT
PROJECTED WATER SYSTEM DELIVERIES IN ACRE FEET PER YEAR**

<i>Fiscal Year</i>	<i>Potable⁽¹⁾</i>	<i>Recycled</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2024	13,170	1,529	14,699	N/A
2025	13,040	1,506	14,546	-1.04%
2026	13,100	1,615	14,715	1.16%
2027	13,100	1,615	14,715	0.0%
2028	13,100	1,615	14,715	0.0%

⁽¹⁾ Excludes projected District consumption, temporary construction meters and deliveries to Wholesale Suppliers. See the caption “—Wholesale Deliveries.”

⁽²⁾ Decrease reflects adjustments in projected water sales accounting, including budgeted water loss, as well as expectations of continued conservation by District customers.

Source: District.

Projected water deliveries reflect projected connections to the Water System as well as projected water demand, which is affected by weather conditions, economic conditions and other factors. See the caption “—Projected Water System Service Connections.”

Projected Water System Sales Revenues

The following table shows projected Water System service charges and revenues from water sales for the current and next four Fiscal Years. Revenues from hydroelectric sales, standby charges and deliveries through the Water System for the benefit of the Wholesale Suppliers pursuant to the Wholesale Suppliers’ own entitlements are not projected in the table. See the caption “—Wholesale Deliveries.”

**WALNUT VALLEY WATER DISTRICT
PROJECTED WATER SYSTEM SALES REVENUES**

<i>Fiscal Year</i>	<i>Potable</i>	<i>Recycled</i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2024	\$34,235,000	\$1,714,900	\$35,950,200	N/A
2025	37,449,600	1,715,000	39,164,600	8.94%
2026	41,355,695	1,984,765	43,340,460	10.66
2027	45,520,448	2,179,817	47,700,265	10.06
2028	50,101,544	2,392,287	52,493,831	10.05

Source: District.

Projected Water System sales revenues reflect projected water deliveries that are described under the caption “—Projected Water System Deliveries,” adopted rate increases in calendar year 2024 and projected rate increases of approximately 10% per annum in Fiscal Years 2025 through 2028. See the caption “—Water System Rates and Charges.” The projected rate increases in Fiscal Years 2025 through 2028 are subject to the notice, public hearing and protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board will adopt such rate increase as currently projected.

WATER SYSTEM FINANCIAL INFORMATION

Financial Statements

A copy of the most recent audited financial statements of the District (the “**Financial Statements**”) for the Fiscal Year ended June 30, 2023, prepared by C.J. Brown & Company, CPAs, Cypress, California (the “**Auditor**”), are included as Appendix A to this Official Statement. The Auditor’s letter dated December 11, 2023 is set forth therein. The Financial Statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit analysis of the financial condition of the District, nor has the Auditor reviewed or audited this Official Statement.

The summary operating results that are contained under the caption “—Historical Water System Operating Results and Debt Service Coverage” are derived from the Financial Statements and the District’s audited financial statements for prior years (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed or audited the summary operating results or any other portion of this Official Statement.

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the District (“**GAAP**”). Under GAAP, revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of when the related cash flow takes place. In certain cases, this means that GAAP requires or permits moneys that are collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses that are paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. See Appendix A. GAAP also requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Except as otherwise expressly noted herein, all financial information that has been derived from the District’s audited financial statements reflects the application of GAAP.

The District reports its activities as an enterprise fund. This means that the District utilizes the economic resources measurement focus and accounts for its operations in a manner that is similar to a private-sector business.

Operating revenues, such as charges for services (water sales and water services) result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses of the Water System generally result from providing services in connection with the distribution and transmission of potable water to users. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

Investment of District Funds

The District invests its funds in accordance with the District’s Investment Policy, which was most recently updated on August 21, 2023 in accordance with Section 53600 *et seq.* of the State Government Code. Idle cash management and investment transactions are the responsibility of the Director of Finance. The Investment Policy sets forth the policies and procedures applicable to the investment of District funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of ensuring the safety of invested funds by limiting credit and interest rate risks. Eligible investments must have maximum maturities of five years or less and include: (i) United States Treasury obligations; (ii) Federal agency

obligations; (iii) notes or bonds of any state or local agency; (iv) medium-term notes (limited to a maximum of 30% of the portfolio); (v) negotiable certificates of deposit (limited to a maximum of 30% of the portfolio) and non-negotiable certificates of deposit (limited to a maximum of 30% of the portfolio and maximum one-year maturities); (vi) commercial paper (limited to 25% of the portfolio and maximum 270-day maturities); (vii) bankers' acceptances (limited to 40% of the portfolio and maximum 180-day maturities); (viii) the State of California Local Agency Investment Fund; (ix) money market mutual funds (limited to 20% of the portfolio); (xiii) repurchase agreements (limited to maximum one-year maturities); and (xiv) reverse repurchase agreements (limited to 20% of the portfolio and maximum 92-day maturities).

Funds are invested in the following order of priority:

- Safety of Principal
- Liquidity
- Return on Investment

As of February 29, 2024, the District maintained approximately \$34,662,900 in unrestricted cash and investments, which is equivalent to approximately 339 days' Operation and Maintenance Costs. See the caption "—District Reserves—Unrestricted Reserves" for a discussion of unrestricted District reserves.

A summary of the District's investments as of February 29, 2024 is set forth in the below table.

**WALNUT VALLEY WATER DISTRICT
SUMMARY OF INVESTMENTS AS OF FEBRUARY 29, 2024**

Held by the District

Money Market Mutual Fund	\$ 1,422,235
U.S. Government-Sponsored Agency Securities	8,850,000
U.S. Treasury Notes	14,715,000
Corporate Notes	8,475,000
Supranational Obligations	1,100,000
Local Agency Investment Fund	2,749,535
Certificates of Deposit	<u>744,000</u>
<i>Total</i>	<i>\$ 38,055,770</i>

Source: District.

The Director of Finance provides a monthly report to the Board showing the types of investment, dates of maturity, amounts invested, current market values, rates of interest and other such information as may be required by the Board. See Note 2 to the Financial Statements set forth in Appendix A for further information with respect to the District's investment policies.

District Reserves

The District has established various designated reserves to be used for emergency purposes, to fund new and replacement capital projects and to fund obligations accruing on a current basis that will be paid in the future. The District's reserve policy (the "**Reserve Policy**") sets forth the reserve balances that should be maintained and the appropriate use of amounts in the reserve funds. Reserves maintained by the District are as follows:

Unrestricted Reserves.

Capital Improvement Reserve. The District maintains a Capital Improvement Reserve for the purpose of funding the acquisition and construction of new capital assets. The Capital Improvement Reserve is established for all new capital items or projects with a cost of \$5,000 or more and a useful life of 5 years or

greater, and is maintained with a minimum balance equal to the estimated cost of all capital improvement projects, for the year, approved by the Board through the regular budget process. The Capital Improvement Reserve will not exceed the total estimated costs of all capital projects outlined in the District's multi-year Capital Improvement Plan. The balance of the Capital Improvement Reserve was \$1,677,917 as of February 29, 2024, which satisfies the minimum funding level established in the Reserve Policy.

Employee Liabilities Reserve. The District maintains an Employee Liabilities Reserve to cover employees' accrued sick and vacation time and funding for other post-employment benefits (as discussed under the caption "THE DISTRICT—Employee Relations—Other Post-Employment Benefits"). For funds related to accrued sick and vacation time, the Employee Liabilities Reserve is adjusted at the end of each Fiscal Year to equal 100% of the accrued liability. The sick liability represents 75% of the accrued sick hours. The vacation liability represents 100% of the accrued vacation hours. The balance in the Employee Liabilities Reserve was \$3,076,102 as of February 29, 2024, which satisfies the minimum funding level established in the Reserve Policy.

Reserve for Replacement. The District maintains a Reserve for Replacement, moneys in which may be used for funding the replacement or refurbishment of existing capital assets, including the District's buildings. The Reserve for Replacement is established for all replacement items with a cost of \$5,000 or more and a useful life of 5 years or greater. It is the intent of the District to maintain a balance sufficient to fund the immediate and long-term replacement costs of the District's assets. Reserve levels are based on the District's 20-year Asset Replacement and Refurbishment Plan (the "**AR&R Plan**"). The minimum funding level shall be equal to five years of replacement funding with a maximum reserve goal equal to ten years of funding as detailed in the AR&R Plan. The balance in the Reserve for Replacement was \$18,338,058 as of February 29, 2024, which satisfies the minimum requirements established by the Reserve Policy.

Badillo/Grand Catastrophic Insurance Reserve. The Badillo/Grand Catastrophic Insurance Reserve was established for the purpose of self-insurance retention, whereby any funds paid out for the repair or replacement of the Badillo/Grand Transmission Line (as discussed under the caption "—Water Supply—Potable Water—General"), that were either not covered or were denied by the insurance carrier could be reimbursed. The balance in the Badillo Grand Catastrophic Insurance Reserve was \$500,000 as of February 29, 2024.

Operating Reserve. The Operating Reserve was established to ensure that the District has sufficient funds to provide essential services in instances where normal cash flows are interrupted. The funds may be used for operating expenses, capital expenditures, or other purposes as authorized by the Board. The minimum funding balance will be equal to two months of operating expenses, excluding purchased water costs and debt obligations. The balance in the Operating Reserve was \$2,962,100 as of February 29, 2024, which satisfies the minimum requirements established by the Reserve Policy.

Stored Water Reserve. The District maintains a Stored Water Reserve for purposes of accumulating funds to purchase untreated imported water necessary to operate the Cal Domestic water supply project. See the caption "THE WATER SYSTEM—Water Supply—Potable Water—Cal Domestic Supply." The balance in the Stored Water Reserve was \$397,000 as of February 29, 2024.

Rate Stabilization Reserve. The District established the Rate Stabilization Reserve to provide flexibility to the Board when setting water rates to allow for absorbing fluctuations in water demand, to pay for water supplies or to pay for other costs that would otherwise be collected as part of the District' water rates. In addition, in accordance with the provisions of the Indenture, moneys from the Rate Stabilization Reserve can be withdrawn and included as an adjustment to the calculation of Net Revenues for purposes of calculating compliance with the District's rate covenant and additional debt test. See the caption "SECURITY FOR THE BONDS—Rate Stabilization Reserve." The minimum funding level of the Rate Stabilization Reserve is equal to 125% of the District's annual Debt Service, with a maximum level equal to 200% of the annual Debt Service. The balance in the Rate Stabilization Reserve was \$1,543,125 as of February 29, 2024, which satisfies the

minimum requirement established by the Reserve Policy, and the District plans to increase the amounts in the Rate Stabilization Reserve following the issuance of the Bonds.

Project Reserve. The District maintains a Project Reserve to ensure sufficient funding is available to fund components of the Regional Water Supply Project or the 2024 Project that were initially expected to be funded through the issuance of debt but were substituted for other District projects. These funds were collected from a one-time collection from a developer for unpaid property taxes and once used will not be replenished. The balance in the Project Reserve was \$967,232 as of February 29, 2024, which satisfies the minimum requirement established by the Reserve Policy.

Restricted Reserves.

Acreage Supply Charge Reserve. Every applicant for water service who did not either individually or through a predecessor in interest paid an Acreage Supply Charge paid to the District an Acreage Supply Charge computed at a per-acre rate. See the caption “THE DISTRICT—Other Land-Based Charges—Acreage Supply Charge.” Funds collected were deposited into a special fund to be used for construction of water facilities (pipeline) authorized by the Board. Current funds will be depleted by looping areas to ensure consistency of service. The balance in the Acreage Supply Charge Reserve was \$444,871 as of February 29, 2024. As described under the caption “THE WATER SYSTEM—Water System Rates and Charges,” the District no longer collects the Acreage Supply Charge.

Reservoir Capacity Fee Reserve. In order to finance distribution storage facilities to meet system growth, every applicant or developer who installed, modified or added on to an existing service was required to pay a Reservoir Capacity Fee. See the caption “THE DISTRICT—Other Land-Based Charges—Reservoir Capacity Fee.” The fees were deposited into a special fund to be utilized for the construction of water facilities (reservoirs and pump stations) as approved by the Board. Current funds will be depleted by building a recycled reservoir for system reliability and pressure consistency. The balance in the Reservoir Capacity Fee Reserve was \$754,086 as of February 29, 2024. As described under the caption “THE WATER SYSTEM—Water System Rates and Charges,” the District no longer collects the Reservoir Capacity Fee.

Water Supply Charge Reserve. In order to finance projects to meet new Water System demand, every applicant or developer that installed, modified or added to an existing service, or changes the type of land or site use, was required to pay a Water Supply Charge for each parcel of land that benefited from such installation, modification, addition or change in land use. See the caption “THE DISTRICT—Other Land-Based Charges—Water Supply Charge.” Such amounts are held in a Water Supply Charge Reserve fund. Current funds will be depleted by building a recycled reservoir for system reliability and pressure consistency as well as completing projects in the Six Basins as discussed under the subcaption “—Potable Water—Regional Water Supply Reliability Program;”. The balance in the Water Supply Charge Reserve was \$1,345,413 as of February, 2024. As described under the caption “THE WATER SYSTEM—Water System Rates and Charges,” the District no longer collects the Water Supply Charge.

Capacity Charge Reserve. The Capacity Charge Reserve is derived from the capacity charge, as imposed and set forth in the Resolution No. 02-22-695. These funds may only be used to pay for the capital costs for which such revenues are collected in providing new or enhanced facilities for the Water System, including to reimburse the District’s general fund for money previously advanced to pay for such capital costs already incurred. Such revenues shall not be used to replace existing components of the Water System, except to the extent such replacement provides additional capacity to the Water System. The balance in the Capacity Charge Reserve was \$189,709 as of February 29, 2024.

Badillo/Grand Maintenance Reserve. The Badillo/Grand Maintenance Reserve is restricted by agreement and represents funds collected from water sold through the Badillo/Grand Transmission Line. For every acre foot of water that is sold through the line, \$1 is deposited into the Badillo/Grand Maintenance Reserve

to be used for the repair and maintenance of the Badillo/Grand Transmission Line. The balance in the Badillo/Grand Maintenance Reserve was \$318,865 as of February 29, 2024.

Customer/Developer Deposits Reserve. The Customer/Developer Deposits Reserve represents the liability of the District associated with deposits received from customers and developers collected in accordance with the District's Rules and Regulations. The amount in the Customer/Developer Deposits Reserve fluctuates based on deposits received, refunded or expended for Water System improvements. The balance in the Customer/Developer Deposit Reserve was \$5,348,398 as of February 29, 2024.

Historical Water System Operating Results and Debt Service Coverage

The following table is a summary of operating results of the Water System for the last five Fiscal Years. These results have been derived from the Financial Statements and audited financial statements of the District for prior years, but exclude certain receipts which are not included as Revenues under the Indenture and certain non-cash items and include certain other adjustments.

WALNUT VALLEY WATER DISTRICT HISTORICAL OPERATING RESULTS (FISCAL YEAR ENDED JUNE 30)

	2019	2020	2021	2022	2023
Revenues⁽¹⁾					
Potable Water Sales ⁽²⁾	\$ 32,212,411	\$ 33,571,951	\$ 36,612,248	\$ 36,518,247	\$ 33,411,625
Recycled Water Sales ⁽²⁾	1,634,443	1,816,820	2,199,928	2,155,578	1,665,973
Deliveries to Wholesale Suppliers ^{(2) (3)}	3,206,218	4,232,996	4,642,103	4,967,891	3,808,690
Hydroelectric Sales	22,250	38,892	39,341	31,455	21,871
Standby Charge	837,186	795,775	766,999	718,171	761,611
Investment Income ⁽⁴⁾	758,284	760,900	713,762	563,312	747,442
Property Taxes	1,098,378	1,162,465	1,199,446	1,232,651	1,378,819
Other Revenues ⁽⁵⁾	614,821	831,090	585,249	1,093,482	549,975
Transfer (to)/from Rate Stabilization Reserve ⁽⁶⁾	--	--	--	--	--
Total Revenues	\$ 40,383,991	\$ 43,210,889	\$ 46,759,076	\$ 47,280,787	\$ 42,346,007
Operation and Maintenance Costs⁽⁷⁾					
Source of Supply	\$ 20,999,925	\$ 23,156,600	\$ 25,338,762	\$ 25,282,557	\$ 21,226,680
Pumping	1,672,204	1,703,819	1,819,324	2,226,536	1,728,885
Transmission and Distribution	5,339,816	6,118,670	6,181,794	7,284,321	4,392,282
Customer Accounts	1,910,756	2,111,048	1,804,476	1,783,368	1,493,320
General and Administrative	4,892,522	5,535,032	5,240,165	5,105,223	5,097,182
Operating Expenses Capitalized During Construction	(665,464)	(419,445)	(319,448)	(719,048)	(863,613)
OPEB and PERS Cost ⁽⁸⁾	(599,314)	(1,336,879)	(713,101)	1,820,969	(3,108,041)
Total Operation and Maintenance Costs	\$ 33,550,445	\$ 36,868,845	\$ 39,351,972	\$ 42,783,927	\$ 29,966,695
Net Revenues	\$ 6,833,546	\$ 6,342,044	\$ 7,407,104	\$ 4,496,860	\$ 12,379,311
Debt Service					
2013 Bonds	\$ 1,232,750	\$ 1,234,500	\$ 1,230,000	\$ 277,404	--
2021 Bonds	--	--	--	\$217,300	\$ 277,404
Total Debt Service	\$ 1,232,750	\$ 1,234,500	\$ 1,230,000	\$ 494,704	\$ 277,404
Net Revenues Remaining After Payment of Debt Service	\$ 5,600,796	\$ 5,107,544	\$ 6,177,104	\$ 4,002,156	\$ 12,101,908
Debt Service Coverage	5.54	5.14	6.02	9.09	44.63

(1) May differ from audited financial statements, as Revenues are shown as defined in the Indenture. Excludes restricted funds and capital contributions.

(2) Decrease in Fiscal Year 2023 due to wet hydrological year and conservation.

(3) Reflects amounts paid to the District by the Wholesale Suppliers for the delivery of water through the Water System. See the caption "THE WATER SYSTEM—Wholesale Deliveries."

(4) Excludes changes in fair market value and restricted interest income.

(5) Includes revenues from telecommunications site leases.

(6) See the caption "SECURITY FOR THE BONDS—Rate Stabilization Reserve."

(7) Includes costs to the District of delivering water through the Water System at the request of the Wholesale Suppliers. See the caption "THE WATER SYSTEM—Wholesale Deliveries."

(8) Amounts reflect non-cash adjustments related to other post-employment benefit and pension benefit liability. Such amounts are allocated to individual Operation and Maintenance Cost line items above.

Source: District.

Projected Water System Operating Results and Debt Service Coverage

The District's projected operating results for the Water System for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events and a variety of assumptions, including the assumptions set forth in the footnotes to the chart set forth below. All of such assumptions are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

**WALNUT VALLEY WATER DISTRICT
PROJECTED OPERATING RESULTS (FISCAL YEAR ENDING JUNE 30)**

	2024 ⁽¹⁾	2025	2026	2027	2028
Revenues					
Potable Water Sales ⁽²⁾	\$ 34,235,300	\$ 37,449,600	\$ 41,355,695	\$ 45,520,448	\$ 50,101,544
Recycled Water Sales ⁽²⁾	1,714,900	1,715,000	1,984,765	2,179,817	2,392,287
Deliveries to Wholesale Suppliers ⁽³⁾	700,000	--	--	--	--
Hydroelectric Sales ⁽⁴⁾	30,000	30,000	30,000	30,000	30,000
Standby Charge ⁽⁴⁾	825,000	825,000	825,000	825,000	825,000
Investment Income ⁽⁴⁾⁽⁵⁾	400,000	225,000	225,000	225,000	225,000
Property Taxes ⁽⁶⁾	1,200,000	1,230,000	1,242,300	1,254,723	1,267,270
Other Revenues ⁽⁷⁾	2,089,400	882,900	891,366	900,086	909,068
Transfer (to)/from Rate Stabilization Reserve ⁽⁸⁾	--	--	--	--	--
Total Revenues	<u>\$ 41,194,600</u>	<u>\$ 42,357,500</u>	<u>\$ 46,554,126</u>	<u>\$ 50,935,074</u>	<u>\$ 55,750,168</u>
Operation and Maintenance Costs⁽⁹⁾					
Source of Supply ⁽¹⁰⁾	\$ 19,229,700	\$ 20,282,400	\$ 22,477,525	\$ 24,454,143	\$ 26,808,105
Pumping ⁽¹¹⁾	2,004,500	2,176,700	2,298,275	2,426,940	2,563,169
Transmission and Distribution ⁽¹²⁾	7,249,100	7,233,700	7,682,250	8,160,321	8,669,961
Customer Accounts ⁽¹²⁾	1,886,600	2,191,900	2,332,040	2,481,626	2,641,287
General and Administrative ⁽¹²⁾	<u>6,621,600</u>	<u>7,728,600</u>	<u>8,173,599</u>	<u>8,646,379</u>	<u>9,148,736</u>
Total Operation and Maintenance Costs	<u>\$ 36,991,500</u>	<u>\$ 39,613,300</u>	<u>\$ 42,963,689</u>	<u>\$ 46,169,410</u>	<u>\$ 49,831,257</u>
Net Revenues	\$ 4,203,100	\$ 2,744,200	\$ 3,590,437	\$ 4,765,664	\$ 5,918,911
Debt Service					
2021 Bonds ⁽¹³⁾	\$ 907,404	\$ 1,229,456	\$ 1,232,178	\$ 1,227,895	\$ 1,231,527
2024 Bonds ⁽¹⁴⁾	--	--	--	<u>2,258,250</u>	<u>2,259,500</u>
Total Debt Service	<u>\$ 907,404</u>	<u>\$ 1,229,456</u>	<u>\$ 1,232,178</u>	<u>\$ 3,486,145</u>	<u>\$ 3,491,027</u>
Net Revenues Remaining After Payment of Debt Service	\$ 3,295,696	\$ 1,514,744	\$ 2,358,259	\$ 1,279,520	\$ 2,427,884
Debt Service Coverage	4.63	2.23	2.91	1.37	1.70

⁽¹⁾ Reflects Fiscal Year 2024 budgeted amounts with certain adjustments based on the District's most recent financial model. See the caption "THE DISTRICT—Budget Process."

⁽²⁾ Reflects projected water sales revenues and service charges based on adopted rate increases for Fiscal Years 2024 set forth under the caption "THE WATER SYSTEM—Projected Water System Sales Revenues" as well as assumed rate increases for Fiscal Years 2025 through 2028 described under the caption "THE WATER SYSTEM—Water System Rates and Charges" which have not yet been adopted. Such assumed rate increases are subject to the notice, public hearing and protest provisions of Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." There can be no assurance that the Board will adopt such rate increases as currently projected.

⁽³⁾ See the caption "THE WATER SYSTEM—Wholesale Deliveries."

⁽⁴⁾ Projected to remain at Fiscal Year 2024 budgeted amount.

⁽⁵⁾ Reflects projected interest earnings of approximately 1.25% per annum on District reserves. Excludes projected interest earnings on restricted funds and projected market value adjustments.

(Footnotes Continued on Following Page)

(Footnotes Continued from Previous Page)

- (6) Projected to increase 1% per annum from Fiscal Year 2024 budgeted amount.
- (7) Includes projected revenues from telecommunications site leases, which are projected to increase 3% per annum from Fiscal Year 2024 budgeted amount.
- (8) See the caption "SECURITY FOR THE BONDS—Rate Stabilization Reserve." [The District currently does not expect to make transfers to or from the Rate Stabilization Reserve in Fiscal Years 2024 through 2028.]
- (9) Does not reflect any projected costs to the District of delivering water through the Water System at the request of the Wholesale Suppliers. See the caption "THE WATER SYSTEM—Wholesale Deliveries."
- (10) Reflects projected increases of 5-10% per annum in per-acre foot imported water costs.
- (11) Projected to increase approximately 5.5% per annum from Fiscal Year 2022 budgeted amount.
- (12) Projected to increase approximately 6% per annum.
- (13) See the caption "PLAN OF FINANCE" for a discussion of the refunding of these obligations.
- (14) [Debt service on the Bonds is expected to be paid from capitalized interest in Fiscal Years 2025 and 2026. See the caption "ESTIMATED SOURCES AND USES OF FUNDS."]

Source: District.

Employee Relations

General. As of June 30, 2023, the District had 56.5 full-time equivalent employees, comprised of 19 in District Administration, 18 in Office and Engineering, 19 in Operations and 0.5 in part-time interns. No District employees are currently represented by a union, although District employees maintain three informal employee associations that are consulted in matters pertaining to wages, benefits and working conditions. The District has never experienced a strike, slowdown or work stoppage.

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

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

District employees are subject to different benefit levels depending on their date of hire. The benefit provisions for District employees in effect at June 30, 2023 are set forth below.

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

	<i>Employees Hired Before October 1, 2010</i>	<i>Employees Hired On or Between October 1, 2010 and December 31, 2012</i>	<i>Employees Hired On or After January 1, 2013 (AB 340)</i>
Benefit Formula	2.7% @ age 55	2.0% @ age 55	2.0% @ age 62
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50-63	50-63	52-67
Monthly Benefits, as a % of eligible compensation	2.0% to 2.7%	1.4% to 2.0%	1.0% to 2.0%
Required Employee Contribution Rate ⁽¹⁾	7.96%	6.92%	7.25%
Required Employer Contribution Rate ⁽²⁾	15.03%	11.65%	7.65%

⁽¹⁾ Employees are required to make the full employee contribution themselves. The District does not make any portion of the employee contribution.

⁽²⁾ Changes annually based on CalPERS actuarial valuation.

Source: District.

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

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

**WALNUT VALLEY WATER DISTRICT
PENSIONABLE INCOME CAPS FOR 2024 (AB 340 AND NON-AB 340 EMPLOYEES)**

	<i>Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>After January 1, 2013 (AB 340 Employees)</i>
Maximum Pensionable Income	\$345,000	\$181,734
Maximum Pensionable Income if also Participating in Social Security	N/A	151,446

Source: District.

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

The District is required to contribute the remainder of the actuarially determined amounts necessary to fund pension benefits which are not contributed by employees. Employer contribution rates for all public

employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. The total minimum required employer contribution is the sum of the plan's employer normal cost rate (expressed as a percentage of payroll) plus the employer unfunded accrued liability contribution amount (billed monthly). The normal cost rate is the annual cost of service accrual for the upcoming Fiscal Year of active employees.

The required employer contribution rates for normal costs for Fiscal Years 2022 and 2023 were as follows (expressed as percentages of annual covered payroll): (i) 14.02% and 13.03%, respectively, for the First Tier Plan; (ii) 10.66% and 9.65%, respectively, for the Second Tier Plan; and (iii) 7.70% and 7.65%, respectively, for the PEPRA Plan.

The required employer contribution rates for normal costs for Fiscal Year 2024 are as follows (expressed as percentages of annual covered payroll): (i) 13.63% for the First Tier Plan; (ii) 10.00% for the Second Tier Plan; and (iii) 7.91% for the PEPRA Plan.

As described in the following sentence, unfunded accrued liability costs are expressed in dollars, with the District paying a total of \$1,189,254 and \$1,359,239 for the First Tier Plan, Second Tier Plan and PEPRA Plan in Fiscal Years 2022 and 2023, respectively. Beginning in Fiscal Year 2018, CalPERS began collecting employer contributions toward a pension plan's unfunded liability as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential underfunding that could arise from a declining payroll or a reduction in the number of active members in the plan. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection for informational purposes only. Contributions toward a pension plan's unfunded liability will continue to be collected as set dollar amounts.

The District's required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component that is equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the District's required contributions to CalPERS in future years. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2013 through 2023 report investment gains (and losses) of approximately 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, 4.7%, 21.3%, (6.1%), and 6.1%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District.

CalPERS' discount rate was lowered from 7.00% to 6.80% in fall 2021. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 who were not previously CalPERS members will also see their contribution rates rise under AB 340.

The tables below are derived from CalPERS' annual valuation reports as of June 30, 2022, which were completed in July 2023, and show the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in the CalPERS annual valuation reports. Such projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below does not reflect that the normal cost will decline over the time as new employees are hired into PEPRA or other lower cost benefit tiers.

The foregoing projections assumed the investment return for fiscal year 2022-23 would be 6.8%. As described above, CalPERS announced a investment returns of 6.1% for fiscal year 2022-23. As a result, the

actual contribution requirements for the fiscal years 2024-25 and the following years shown below can be expected to differ from such projections.

<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)</i>				
	<i>2024-25</i>	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>	<i>2028-29</i>	<i>2029-30</i>
<i>First Tier Plan</i>						
Normal Cost %	16.70%	16.7%	16.7%	16.7%	16.7%	16.7%
UAL Payment	\$1,539,869	\$1,655,000	\$1,767,000	\$1,856,000	\$2,059,000	\$2,103,000
<i>Second Tier Plan</i>						
Normal Cost %	13.05%	13.1%	13.1%	13.1%	13.1%	13.1%
UAL Payment	\$10,589	\$18,000	\$25,000	\$32,000	\$39,000	\$39,000
<i>PEPRA Plan</i>						
Normal Cost %	8.07%	8.1%	8.1%	8.1%	8.1%	8.1%
UAL Payment	\$4,646	\$7,900	\$11,000	\$14,000	\$17,000	\$17,000

Source: CalPERS' Annual Valuation Reports as of June 30, 2022.

No assurance can be provided that the District's CalPERS plan expenses will not increase significantly in the future.

The tables below are derived from the CalPERS' annual valuation reports as of June 30, 2022, which were completed in July 2023, and show the funded status of the First Tier Plan, Second Tier Plan and PEPRA Plan as of the valuation dates shown.

First Tier Plan (2.7% at 55 Plan)

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Unfunded Accrued Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/2018	\$51,428,898	\$36,820,331	\$14,608,567	71.6%	\$3,329,268
06/30/2019	54,576,561	39,252,444	15,324,117	71.9	3,234,278
06/30/2020	56,592,097	39,970,270	16,621,827	70.6	2,819,244
06/30/2021	58,435,293	46,389,262	12,046,031	79.4	2,595,384
06/30/2022	60,809,071	41,704,708	19,104,363	68.6	2,211,138

Source: CalPERS' Miscellaneous First Tier Plan of the Walnut Valley Water District Annual Valuation Report as of June 30, 2022.

Second Tier Plan (2.0% at 55 Plan)

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Unfunded Accrued Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/2018	\$1,113,131	\$1,013,920	\$99,211	91.1%	\$756,995
06/30/2019	1,377,212	1,249,335	127,877	90.7	795,247
06/30/2020	1,660,081	1,479,843	180,238	89.1	832,411
06/30/2021	2,086,775	2,125,886	(39,111)	101.9	875,923
06/30/2022	2,399,072	2,076,318	322,754	86.5	950,687

Source: CalPERS' Miscellaneous Second Tier Plan of the Walnut Valley Water District Annual Valuation Report as of June 30, 2022.

PEPRA Plan (2.0% at 62 Plan)

Valuation Date	Accrued Liability	Share of Pool's Market Value of Assets	Unfunded Accrued Liability	Funded Ratio	Annual Covered Payroll
06/30/2018	\$119,522	\$110,451	\$9,071	92.4%	\$655,551
06/30/2019	232,085	214,133	17,952	92.3	969,364
06/30/2020	412,422	379,435	32,987	92.0	1,351,956
06/30/2021	703,677	751,020	(47,343)	106.7	1,594,056
06/30/2022	994,101	871,035	123,066	87.6	1,845,754

Source: CalPERS' PEPRA Miscellaneous Plan of the Walnut Valley Water District Annual Valuation Report as of June 30, 2022.

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

The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The District, the Municipal Advisor and the Underwriter cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2023 (as of the measurement date of June 30, 2022) is shown below.

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

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Salary Increases	varies by entry age and service
Investment Rate of Return	6.90% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.30%
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all funds

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Source: District.

The District's CalPERS pension plan had a total net pension liability of approximately \$9,390,716 applicable to the Fiscal Year ended June 30, 2022 and approximately \$18,082,080 applicable to the Fiscal Year ended June 30, 2023. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The District's total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts. The District notes that its net pension liability may increase in the future as a result of losses in CalPERS' portfolio, although the District is unable to quantify the magnitude of any such increase at this time. The District does not expect that any increase in the net pension

liability will have a material adverse effect on the ability of the District to make the Series 2024 Installment Payments.

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

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

	<i>Increase / (Decrease)</i>			
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>	<i>Funded Percentage⁽¹⁾</i>
Balance at June 30, 2021	\$ 60,253,145	\$ 50,862,429	\$ 9,390,716	84.41%
Balance at June 30, 2022	<u>63,154,936</u>	<u>45,072,856</u>	<u>18,082,080</u>	71.37
Net Changes for period from July 1, 2021 through June 30, 2022	\$ 2,901,791	\$ (5,789,573)	\$ 8,691,364	

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

In June 2023, the District made a strategic one-time payment of \$2,000,000 to CalPERS. This strategic move was coupled with a "fresh start" combing basis approach, which reduced future unfunded liabilities to CalPERS by approximately \$3,324,317. The District also adopted a formal Pension and OPEB Policy outlining a framework for ongoing, sustainable contributions. In December 2023, pursuant to this policy, the District allocated an additional approximately \$1,025,000 to CalPERS utilizing net cash. These measures were taken by the District with the goal of reducing the unfunded CalPERS liabilities and establishing a sustainable approach to future contributions, in order to position the District for long-term fiscal health and a secure retirement system for its employees. The Net Pension Liability as of June 30, 2022 shown in the table above does not reflect these one-time payments.

The following table presents the net pension liability of the District's CalPERS pension plan, calculated using the discount rate as of June 30, 2023 (6.90%) (applicable to Fiscal Year 2023), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the current rate:

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

	<i>Discount Rate – 1% (5.90%)</i>	<i>Current Discount Rate (6.90%)</i>	<i>Discount Rate + 1% (7.90%)</i>
Net Pension Liability/(Asset)	\$26,691,236	\$18,082,080	\$10,998,880

Source: District.

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

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

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

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

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

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

As of June 30, 2023, 46 District retirees received such post-employment benefits and 56 active employees, who upon retirement and having met the requirements that are above, would become eligible for such post-employment benefits.

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

In Fiscal Years 2022 and 2023, the District contributed \$655,709 and \$661,360, respectively, to pay post-employment benefits for eligible retirees (thereby reducing the District's net post-employment benefit liability). In addition, in Fiscal Years 2022 and 2023, the District contributed \$375,000 and \$750,000, respectively, to the OPEB Trust (thereby increasing the District's fiduciary net position for post-employment benefits).

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

In 2020, the District engaged an actuarial consultant (the “**Consultant**”) to perform a Valuation of Retiree Health Benefits, Report of GASB 75 Actuarial Valuation as of June 30, 2024. The Consultant's valuation report concluded that: (i) the District's total post-employment benefit liability, based upon a 5.25% discount rate, was \$17,865,398 as of June 30, 2024 (measurement date June 30, 2023); (ii) the reported plan fiduciary net position (the market value of assets in the OPEB Trust) totaled \$15,234,987 as of June 30, 2024; and (iii) the net post-employment benefit liability was \$2,630,411 as of June 30, 2024. The report also demonstrated that the District's post-employment benefit expense for the year ended June 30, 2023 was of \$661,360.

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

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

	<i>Increase / (Decrease)</i>			
	<i>Total Post-Employment Benefit Plan Liability</i>	<i>Post-Employment Benefit Plan Fiduciary Net Position</i>	<i>Net Post- Employment Benefit Plan Liability / (Asset)</i>	<i>Funded Percentage⁽¹⁾</i>
Balance at June 30, 2023	\$17,934,074	\$13,859,079	\$ 4,075,768	77.3%
Balance at June 30, 2024	<u>17,865,398</u>	<u>15,234,987</u>	<u>2,630,411</u>	85.3%
Net Changes for period from July 1, 2023 through June 30, 2024	\$ 68,676	\$1,375,908	\$(1,445,357)	

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

The following table presents the net liability of the District's post-employment benefits plan, calculated using the discount rate of 5.25%, as well as what the net post-employment benefit liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.25%) or 1 percentage point higher (6.25%) than the Fiscal Year 2023 rate:

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

	<i>Discount Rate – 1% (4.25%)</i>	<i>Applicable Discount Rate (5.25%)</i>	<i>Discount Rate + 1% (6.25%)</i>
Net Liability/(Asset)	\$5,381,767	\$2,630,411	\$407,206

Source: District.

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

The District's projections of Operation and Maintenance Costs under the caption "WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage" do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the District's annual required contributions, and such increases could be material to the finances of the District. No assurance can be provided that such expenses will not increase significantly in the future. The District does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the District to make the Series 2024 Installment Payments.

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

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII A

On June 6, 1978, State voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution. The amendment, which added Article XIII A to the State Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’, or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to December 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after December 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition (55% in the case of certain school facilities). Property taxes that are subject to Proposition 13 are not a significant source of Revenues for the District. See the caption “THE DISTRICT—1% *Ad Valorem* Property Tax Revenues.”

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (for new construction, change of ownership or 2% annual value growth) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation the following year. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in certain other limited circumstances.

Article XIII B

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority, special district or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (a) the financial responsibility for a service is transferred to another public entity or to a private entity; (b) the financial source for the provision of services is transferred from taxes to other revenues; or (c) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations that are subject to Article XIII B generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (i) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost reasonably borne

by the entity in providing the service or regulation); and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts that are permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness that were existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters, and payments that are required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The District is of the opinion that its charges for Water Service do not exceed the costs that it reasonably bears in providing such service and therefore are not subject to the limits of Article XIII B. See the caption "SECURITY FOR THE BONDS—Rate Covenant" for a description of the District's covenant to set rates and charges for the Water Service.

Proposition 218

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "**Initiative**") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIII C and XIII D to the State Constitution. According to the "Title and Summary" of the Initiative prepared by the State Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

Article XIII D. Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIII D further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency which imposes or increases any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, because fees for water service are a "fee" or "charge" as defined in Article XIII D, the local government's ability to increase such fees or charges may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations that are applicable to existing fees and charges, including provisions to the effect that: (a) revenues that are derived from the fee or charge may not exceed the funds which are required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge that is imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; and (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIII D did not apply to charges for water and wastewater services that are "primarily based on the amount consumed" (i.e., metered water or wastewater rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the "**Bighorn Case**"), however, that fees for ongoing water service through an existing connection were property-related fees and charges and thus were

subject to the Initiative. The Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The District complies with the notice, hearing and protest procedures in Article XIII D, as further explained by the State Supreme Court in the *Bighorn* Case, with respect to its water rate increases.

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (the “*SJC Case*”) upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion included a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District’s current rate structure includes tiered rates based on usage. The District has reviewed the *SJC Case* decision and does not expect the decision to affect its rate structure. The District believes that its current water rates comply with the requirements of Proposition 218 because the differentials among its tiers are cost-based. The District expects that any future water rate increases will comply with Proposition 218’s procedural and substantive requirements to the extent applicable thereto.

Article XIII C. Article XIII C provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIII C does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIII D referred to above are applicable to Article XIII C. Moreover, the provisions of Article XIII C are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn* Case that the provisions of Article XIII C (specifically, the initiative power) applied to rates and fees charged for domestic water use. In the decision, however, the Court did not determine whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsmuir*, 9 Cal.5th 1105 (2020) holding that taxpayers do not have the right under Proposition 218 to challenge water rates by referendum. Based on other legal authorities, the District does not believe that Article XIII C grants to the voters within the District the power (whether by initiative under Article XIII C or otherwise, or by referendum, which is not authorized under Article XIII C) to repeal or reduce rates and charges for the Water Service in a manner that would interfere with the contractual obligations of the District or the obligation of the District to maintain and operate the Water System. However, there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the Bonds. Remedies that are available to Beneficial Owners of the Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other

monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 applies to charges imposed or increased after November 2, 2010 and provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District believes that its water rates and charges meet the exception that is described in clause (g) above and therefore that those rates and charges are not taxes under Proposition 26.

Future Initiatives

Articles XIIIB, XIIIC and XIIID and Proposition 26 were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the District's revenues or ability to increase revenues.

CERTAIN RISKS TO BONDHOLDERS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the Bonds.

Limited Obligations

The obligation of the District to pay the Series 2024 Installment Payments is a limited obligation of the District and is not secured by a legal or equitable pledge or charge or lien upon any property of the District or any of its income or receipts, except the Net Revenues. The obligation of the District to pay the Series 2024 Installment Payments does not constitute an obligation of the District to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

Accuracy of Assumptions

To estimate the Net Revenues available to pay the Series 2024 Installment Payments, the District has made certain assumptions with regard to various matters, including but not limited to future development within the District and increases in revenues resulting therefrom, the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The District believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Revenues available to pay the Series 2024 Installment Payments will, in all likelihood, be less than those projected herein. See the caption "WATER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage." The District may choose, however, to maintain compliance with the rate covenant set forth in the Installment Purchase Agreement in part by means of contributions from available reserves or resources, including the Rate Stabilization Reserve. In such event, Net Revenues may generate amounts which are less than 125% of Debt Service in any given Fiscal Year. See the captions "SECURITY FOR THE BONDS—Rate Covenant" and "SECURITY FOR THE BONDS—Rate Stabilization Reserve."

System Demand

There can be no assurance that the demand for Water Service will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE BONDS—Rate Covenant.” Demand for Water Service could be reduced or may not occur as projected by the District as a result of reduced levels of development in the District’s service area, hydrological conditions, conservation efforts, an economic downturn, mandatory State conservation orders and other factors.

System Expenses

There can be no assurance that the District’s expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with labor costs (including costs related to pension liabilities and the costs of retaining qualified personnel with the proper certifications to operate Water System treatment and other facilities), treatment costs, energy costs, regulatory compliance costs, increased costs to access groundwater due to land subsidence or falling water tables, increased imported water purchase costs and other factors. Increases in expenses could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE BONDS—Rate Covenant.” Rate increases are subject to the provisions of Proposition 218 and there can be no assurance that the District will be able to increase rates as needed to address increases in Water System expenses. See the caption “—Rate-Setting Process under Proposition 218.”

Limited Recourse on Default

If the District defaults on its obligation to pay the Series 2024 Installment Payments, the Trustee, as assignee of the Agency, has the right to declare the total unpaid principal amount of the Series 2024 Installment Payments, together with the accrued interest thereon, to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the District will have sufficient funds to pay such accelerated amounts from Net Revenues.

Rate-Setting Process under Proposition 218

Proposition 218, which added Articles XIIC and XIID to the State Constitution, affects the District’s ability to maintain existing Water System rates and impose rate increases, and no assurance can be given that future proposals to increase Water System rates will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed Water System rate increases cannot be imposed as a result of majority protest or initiative, the District might thereafter be unable to generate Net Revenues in the amounts required by the Installment Purchase Agreement to pay the Series 2024 Installment Payments. The District believes that its current Water System rates approved by the Board of Directors were effected in accordance with the public hearing and majority protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Statutory and Regulatory Compliance

Laws and regulations governing treatment and delivery of water and collection, treatment and disposal of wastewater are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Water System and constitute Operation and Maintenance Costs or from other legally available sources. In addition to claims by private parties, changes in

the scope and standards for municipal water systems such as the Water System operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the District. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the District to generate Net Revenues in amounts that are sufficient to pay the Series 2024 Installment Payments.

Natural Disasters

The occurrence of any natural disaster in the District, including, without limitation, fire, earthquake, landslide, land subsidence, high winds, drought or flood, could have an adverse material impact on the economy within the District, the Water System and the revenues available for the payment of the Series 2024 Installment Payments. Portions of the Water System may be at risk of damage or destruction from unpredictable seismic activity. The District is not required to maintain earthquake insurance under the Installment Purchase Agreement, and, although it currently maintains limited earthquake insurance, it may discontinue such coverage at any time. See the caption “THE DISTRICT—District Insurance.”

The occurrence of natural disasters in the District’s service area could result in substantial damage to the Water System which, in turn, could substantially reduce revenue generated by the Water System and affect the ability of the District to pay the Series 2024 Installment Payments. The District maintains liability insurance for the Water System and property casualty insurance for certain portions of the Water System. However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Furthermore, as described under the caption “THE DISTRICT—District Insurance,” significant portions of the Water System, including subsurface pipelines, are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters would result in uninsured losses to the District.

Limitations on Remedies

The ability of the District to comply with its covenants under the Installment Purchase Agreement and to generate Net Revenues in amounts that are sufficient to pay the Series 2024 Installment Payments may be adversely affected by actions and events outside of the control of the District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” Furthermore, the remedies that are available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

In addition, usual equity principles may limit the specific enforcement under State law of certain remedies, as may the exercise by the United States of America of the powers delegated to it by the federal Constitution and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium proceedings and other laws relating to or affecting creditors’ rights, or the exercise of powers by the federal or State government, if initiated, could subject the Beneficial Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. Remedies may be limited because the Water System serves an essential public purpose.

The opinion to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See Appendix C. In the event that the District fails to comply with its

covenants under the Installment Purchase Agreement or fails to pay the Series 2024 Installment Payments, which secure the payments of principal of and interest on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Agency and the District have covenanted in the Indenture and the Installment Purchase Agreement, respectively, to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds thereunder. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such Bonds as a result of acts or omissions of the Agency or the District in violation of such covenants or other covenants in the Indenture or the Installment Purchase Agreement. The Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture. See the caption “TAX MATTERS.”

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Parity Obligations

The Installment Purchase permits the District to enter into additional Contracts and issue additional Bonds which are payable from Net Revenues on a parity with the Series 2024 Installment Payments, subject to the terms and conditions set forth therein. The entry into of additional Contracts or the issuance of additional Bonds could result in reduced Net Revenues available to pay the Series 2024 Installment Payments. The District has covenanted to maintain Debt Service coverage of 125%, as further described under the caption “SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts.”

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and rising sea levels. The future fiscal impact of climate change on the District is difficult to predict, but it could be significant and it could have a material adverse effect on the Water System’s finances by requiring greater expenditures to counteract the effects of climate change or by changing the business and activities of Water System customers.

Cybersecurity

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. District information technology support staff provides network and server administration and monitoring, desktop and server virus scanning and security and firewall services, as well as training to District employees on cyber security matters. District staff regularly analyzes the District’s network for potential weaknesses in cyber security and thereafter promptly implements solutions for identified shortfalls.

In addition, the District contracts with third party vendors to monitor and augment internal monitoring of the District's Supervisory Control and Data Acquisition systems. To date, the District has not experienced an external attack on its computer operating systems resulting in a data breach. District staff is regularly trained to spot potential scams or inconsistencies in network performance which may indicate system vulnerability. However, there can be no assurance that a future attack or attempted attack would not result in disruption of District operations. The District expects that any such disruptions would be temporary in nature.

Rate Covenant Not a Guarantee

The Series 2024 Installment Payments are payable from Net Revenues of the Water System. See the caption "SECURITY FOR THE BONDS." The District's ability to pay the Series 2024 Installment Payments depends on its ability to generate Net Revenues at the levels required by the Installment Purchase Agreement. Although the District has covenanted in the Installment Purchase Agreement to impose rates and charges as more particularly described under the caption "SECURITY FOR THE BONDS—Rate Covenant," and although the District expects that sufficient Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in amounts that are sufficient to pay the Series 2024 Installment Payments. Among other matters, the availability of and demand for water and changes in law and government regulations could adversely affect the amount of Revenues realized by the District.

THE AGENCY

The Agency is a joint powers authority duly organized and existing under and pursuant to that certain Amended, Restated and Renewed Joint Powers Agreement Creating Puente Basin Water Agency, dated October 28, 2009 (as amended to date, the "Joint Powers Agreement"), between the District and the Rowland Water District ("Rowland" and, together with the District, the "Member Agencies") and the Joint Exercise of Powers Act, being Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. The Agency is a separate entity constituting a public instrumentality of the State of California, and was formed to exercise the powers common to the Member Agencies jointly to develop, enhance and regulate a water supply system within and for the Puente Basin. The Agency is governed by the Puente Basin Commission (the "Commission"), which consists of four appointed commissioners. The governing body of each of the District and Rowland annually appoints two representatives to the Commission and one alternate to serve in the absence of either of the appointed representatives.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the Bonds is subject to the approval of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, acting as Bond Counsel. The form of such legal opinion is attached as Appendix C, and such legal opinion will be attached to each Bond. Certain matters will be passed upon for the Agency by Lagerlof LLP, Pasadena, California, as General Counsel, for the District by Lagerlof LLP, Pasadena, California, as General Counsel, and Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Disclosure Counsel, and for the Trustee by its counsel. The Underwriter is being represented by their counsel, Kutak Rock LLP, Irvine, California.

LITIGATION

District

At the time of delivery of and payment for the Bonds, the District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Installment

Purchase Agreement and the Indenture, or that would have a material adverse effect on the District's ability to pay the Series 2024 Installment Payments, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Installment Purchase Agreement or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents, nor to the knowledge of the District, is there any basis therefor.

Agency

At the time of delivery of and payment for the Bonds, the Agency will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Agency, threatened against the Agency affecting the existence of the Agency or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Installment Purchase Agreement and the Indenture, or that would have a material adverse effect on the Agency's ability to pay the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Installment Purchase Agreement or any action of the Agency contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Agency or its authority with respect to the Bonds or any action of the Agency contemplated by any of said documents, nor to the knowledge of the Agency, is there any basis therefor.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Code, generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) on the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations.

In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Authority, the District and others and is subject to the condition that the Authority and the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the District have covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before

receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received with respect to the Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the District continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Should interest (and original issue discount) on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C.

CONTINUING DISCLOSURE

The District has covenanted in a Continuing Disclosure Certificate, dated the date of issuance of the Bonds, for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District by not later than each April 1 following the end of the District's Fiscal Year (currently its Fiscal Year ends on June 30) (the "**Annual Report**"), commencing on April 1, 2025 with the report for the Fiscal Year ended June 30, 2024, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with EMMA, which is maintained on the Internet at <http://emma.msrb.org/>. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth in Appendix E. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (the "**Rule**").

[In the past five years, the District has not failed to comply in all material respects with its continuing disclosure obligations. In order to ensure compliance with its continuing disclosure obligations going forward, the District has adopted a debt management policy which includes provisions relating to continuing disclosure. The District has also engaged Applied Best Practices, LLC, to assist in the preparation and filing of continuing disclosure reports.]

RATING

The Agency expects that S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("**S&P**") will assign the Bonds the ratings of "_____."

The District has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the Bonds with EMMA. See the caption "CONTINUING DISCLOSURE" and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date by which the District is obligated to file a notice of rating change. Purchasers of the Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current ratings with respect to the Bonds after the initial issuance of the Bonds.

In providing a rating on the Bonds, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the Indenture or the Installment Purchase Agreement. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

MUNICIPAL ADVISOR

The District has retained Urban Futures, Inc. as municipal advisor (the "**Municipal Advisor**") in connection with the issuance of the Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Bonds will be purchased by Wells Fargo Bank, National Association (the “**Underwriter**”), pursuant to a purchase contract, dated the date hereof (the “**Purchase Contract**”), by and among the Agency, the District and the Underwriter. Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the Bonds for an aggregate purchase price of \$_____ (representing the principal amount of the Bonds, [plus/less] [net] original issue [premium/discount] of \$_____, and less an Underwriter’s discount of \$_____). The Purchase Contract provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including the Underwriter, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of the Underwriter, registered with the Securities and Exchange Commission as a securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“**WFBNA**”), sole underwriter of the Bonds, has entered into an agreement (the “**WFA Distribution Agreement**”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“**WFA**”), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2021 Bonds with WFA. WFBNA has also entered into an agreement (the “**WFSLLC Distribution Agreement**”) with its affiliate Wells Fargo Securities, LLC (“**WFSLLC**”), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents and reference is made to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for and the source for repayment for the Bonds and the rights and obligations of the owners thereof.

The information that is contained in this Official Statement has been compiled from official and other sources that are deemed to be reliable, and is believed to be correct as of its date, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

Any statements made in this Official Statement that involve matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District.

PUENTE BASIN WATER AGENCY

By: _____
Administrative Officer

WALNUT VALLEY WATER DISTRICT

By: _____
General Manager

APPENDIX A
DISTRICT FINANCIAL STATEMENTS

APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INSTALLMENT PURCHASE AGREEMENT AND THE INDENTURE

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

Puente Basin Water Agency
271 South Brea Canyon Road
Walnut, California 91789

Re: \$_____ Puente Basin Water Agency Water Revenue Bonds, Series 2024A

Members of the Board of Commissioners:

We have acted as Bond Counsel to the Puente Basin Water Agency (the “Agency”) in connection with the issuance of \$_____ aggregate principal amount of Puente Basin Water Agency Water Revenue Bonds, Series 2024A (the “Bonds”). The Bonds have been issued by the Agency pursuant to the terms of the Indenture of Trust, dated as of _____ 1, 2024 (the “Indenture”), by and between the Agency and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The Bonds are limited obligations of the Agency payable solely from payments to be made by the Walnut Valley Water District (the “District”) to the Agency pursuant to an Installment Purchase Agreement, dated as of _____ 1, 2024 (the “Installment Purchase Agreement”), by and between the District and the Agency, and from certain funds and accounts established under the Indenture.

In connection with our representation, we have examined a certified copy of the proceedings relating to the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings of the Agency show lawful authority for the issuance and sale by the Agency of the Bonds under the laws of the State of California (the “State”) now in force, and the Indenture has been duly authorized, executed and delivered by the Agency, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the Bonds and the Indenture are valid and binding obligations of the Agency enforceable against the Agency in accordance with their respective terms.

2. The obligation of the Agency to make the payments of principal and interest on the Bonds from Agency Revenues (as such term is defined in the Indenture) is an enforceable obligation of the Agency and does not constitute an indebtedness of the Agency in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, for tax years

beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), interest (and original issue discount) on the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

4. Interest on the Bonds is exempt from State personal income tax.

5. The amount by which a Bond Owner’s original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of Code; such amortizable Bond premium reduces the Bond Owner’s basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions that are expressed herein as to the exclusion from gross income of interest on the Bonds are based upon certain representations of fact and certifications made by the District and the Agency and are subject to the condition that the District and the Agency comply with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the Agency have covenanted to comply with all such requirements.

The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds terminates on the date of their issuance. The Indenture, the Installment Purchase Agreement and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the Bonds for federal income tax purposes if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

Our opinion is limited to matters governed by the laws of the State and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions that are expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture, the Installment Purchase Agreement and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

INFORMATION CONCERNING DTC

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Agency, the District and the Underwriter believe to be reliable, but none of the Agency, the District or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

**MINUTES OF MEETING
OF THE BOARD OF COMMISSIONERS OF
PUENTE BASIN WATER AGENCY**

**April 4, 2024
At the Offices of the
Walnut Valley Water District**

COMMISSIONERS PRESENT:

Robert Lewis, Commissioner
Anthony Lima, Commissioner
Scarlett Kwong, Alternate Commissioner

COMMISSIONERS ABSENT:

Theresa Lee, Commissioner
Henry Woo, Commissioner

STAFF PRESENT:

Jared Macias, Administrative Officer
Tom Coleman, Assistant Administrative Officer
Myra Malner, Treasurer
Josh Byerrum, Assistant Treasurer
Jim Ciampa, Legal Counsel
Lucie Cazares, Secretary

Staff, guests and others in attendance: Ms. Gabriela Palomares, Rowland Water District, Ms. Sherry Shaw and Mr. Tom Monk, Walnut Valley Water District.

The meeting was called to order at 8:01 a.m. with Chair Lewis presiding.

Item 4: Public Comment

None.

Item 5: Approval of Minutes for February 1, 2024

Upon consideration thereof, it was moved by Commissioner Lima, seconded by Commissioner Kwong, and unanimously carried (3-0) to approve the minutes of the Commission meeting held on February 1, 2024.

Chair Lewis indicated that the motion was approved by a 3-0 vote

Item 6: PBWA Legislative Activities

A. CA Water for All Campaign Update

- ◆ The Commission was updated on the joint meetings that both Rowland Water District and Walnut Valley Water District are scheduling with local representatives to address the water challenges that negatively affect the state and to request their support for SB 366. The Commission will continue to be apprised of advancements in meetings with local representatives.

B. SB 1330 (Archuleta) Urban Retail Water Supplier: Water Use

- ◆ The Commission was updated on matters associated with SB 1330 (Archuleta), a bill co-sponsored by Walnut Valley Water District, Rowland Water District, and Bellflower Somerset Mutual Water Company. Mr. Coleman reported that the bill has been placed on the April 23, 2024, Senate Committee on Natural Resources and Water agenda for consideration. The bill's co-sponsors have been invited to testify on behalf of the bill at the hearing. Mr. Coleman additionally noted that the bill has received significant support from other water agencies.

Item 7: Regional Water Supply Reliability Program

A. Puente Basin Groundwater Management Plan

- i. Consider Approval of Second Amendment to Professional Consultant Services Agreement with West Yost for Groundwater Management Plan, Phase 2 – Part 1 of the Puente Basin Groundwater Management Plan

Upon consideration thereof, it was moved by Commissioner Lima, seconded by Commissioner Kwong, and unanimously carried (3-0) to approve the Second Amendment to Professional Consultant Services Agreement with West Yost for Groundwater Management Plan, Phase 2 – Part 1 of the Puente Basin Groundwater Management Plan.

Chair Lewis indicated that the motion was approved by a 3-0 vote

B. California Domestic Water Company

- ♦ Mr. Coleman noted that Fiscal Year Production to date is approximately 857 *acre-feet*. Mr. Coleman advised that Cal Domestic and PBWA staff recently discussed matters regarding Cal Domestic's long-term supply projections and expected conveyance availability.

C. Central Basin

- ♦ Mr. Coleman reported that PBWA representatives met with City of Whittier, Pico Water District, and Cal Domestic Water Company on separate occasions to tour facilities and to discuss potential future water reliability partnerships.

D. Pomona Basin Regional Groundwater Project

i. Six Basins Groundwater Project Update

- ♦ Mr. Macias reported on the Durward Well project's status.
- ♦ Mr. Macias reported on the Old Baldy Well project's status.

ii. Proposition 84 Grant

- ♦ Mr. Macias updated the Commission on the project progress and the reporting required for the receipt of grant funds from Los Angeles County.

E. Regional Water Supply Reliability Program Update

- ♦ Mr. Macias reported Woodard and Curran is currently working on the Puente Basin Water Agency Regional Water Supply Program Update.

F. Advanced Water Treatment Facility

- ♦ Mr. Macias reported Woodard and Curran is currently working on a proposed Advanced Water Treatment facility in partnership with the City of Industry to enhance potable water supply.

Item 8: Attorney's Report

No report on this item.

Item 9: Commission Follow-Up

- ♦ Mr. Macias reported that the budget for the Puente Basin Water Agency will be presented for adoption at the June 6, 2024.

Item 10: Commissioner Comments

None.

Item 11: Items for Future Discussion/Review

- ♦ Mr. Macias informed the commissioners that a Proposed Issuance of Bonds by Puente Basin Water Agency will be presented at the June 6, 2024 Commission meeting in connection with the Walnut Valley Water District Headquarters Remodel Project.

Item 12: Adjournment at 8:52 a.m.

By consensus of the Commission the meeting ended at 8:52 a.m. The next Commission meeting is to be held June 6, 2024, at Rowland Water District.

		9/30/2023	12/31/2023	3/31/2024	TOTAL	Budget
	Ordinary Income/Expense					
1	Income					
2	Administrative Assessment	\$ 158,700	\$ 59,251	\$ 92,027	\$ 309,978	\$ 379,000
3	Water Sales - Project	154,570	263,940	415,352	833,862	1,016,300
4	Water Sales - TVMWD	4,191,774	3,026,018	2,453,949	9,671,740	14,765,400
5	Project Maintenance Reserve	390	1,672	2,224	4,286	5,500
6	Used of Stored/Leased Water	43,917	188,122	249,863	481,901	617,600
7	Total Income	4,549,350	3,539,003	3,213,415	11,301,768	16,783,800
8	Expense					
9	Source of Supply					
10	Purchased Water - TVMWD	4,040,797	2,877,101	2,290,237	9,208,134	14,136,400
11	Purchased Water - CDWC	33,518	142,754	189,282	365,555	468,400
12	Purchased Water - Stored Water	43,917	188,122	249,863	481,901	617,600
13	Assessments - MSGBWM	15,692	67,210	89,413	172,315	220,000
14	Total Source of Supply	4,133,923	3,275,187	2,818,794	10,227,905	15,442,400
15	Fixed Charges					
16	TVMWD Equivalent Small Meters	20,407	20,407	21,431	62,246	84,700
17	TVMWD Water Use Charge	18,311	18,311	19,664	56,286	76,900
18	TVMWD Connected Capacity	19,436	19,436	20,524	59,397	81,000
19	MWD Capacity Reservation Charge	90,763	90,763	102,092	283,618	384,300
21	Total Fixed Charges	148,917	148,917	163,713	461,547	626,900
22	Other Costs					
23	Energy - Pumping and Treatment	43,161	33,791	58,833	135,785	117,700
24	Materials & Supplies - Chemical	-	10,725	10,218	20,943	29,700
25	Materials & Supplies - Others	153	153	1,328	1,634	20,000
26	Other Costs (RWD Labor etc.)	4,780	9,307	9,012	23,099	44,700
27	Baldy Lease Agreement	57,265	-	57,265	114,530	115,800
28	Permits & Fees	2,060	-	-	2,060	2,100
29	Total Other Costs	107,420	53,975	136,657	298,052	330,000
30	Administrative & General					
31	Legal	2,870	700	2,438	6,008	20,000
32	Engineering	-	750	-	750	5,000
33	Professional Services- Other	135,550	30,115	76,462	242,126	283,000
34	Insurance - Property & Liability	4,146	2,138	-	6,284	5,700
35	Accounting	3,328	1,714	600	5,642	8,400
36	Administrative Expenses - Other	12,806	23,834	12,528	49,168	56,900
37	Total Administrative & General	158,700	59,251	92,027	309,978	379,000
38	Total Expense	4,548,960	3,537,331	3,211,191	11,297,482	16,778,300
39	Other Income/Expense					
40	Stored Water Transfer/Purchase	-	-	-	-	-
41	Leased Water Income	65,000	-	58,125	123,125	125,500
42	LAIF Interest	-	2,372	2,667	5,039	2,000
43	Grant Revenue	-	-	-	-	-
44	Other Income	-	-	-	-	-
45	Stored Water Expense	-	-	-	-	-
46	Net Other Income	65,000	2,372	60,792	128,164	127,500
47	Net Income (Loss) Before Transfers	65,390	4,044	63,016	132,450	133,000
48	Transfer In: Maint. Reserve Funds Used	-	-	-	-	-
49	Transfer Out: Maint. Reserve Funds Collected	(390)	(1,672)	(2,224)	(4,286)	(5,500)
50	Net Income (Loss) After Transfers	\$ 65,000	\$ 2,372	\$ 60,792	\$ 128,164	\$ 127,500

	PBWA Maintenance Reserve	9/30/2023	12/31/2023	3/31/2024	Year to Date	Budget
51	Beginning Balance	\$ 161,603	\$ 161,993	\$ 163,665	\$ 161,603	\$ 161,603
52	Transfers In	390	1,672	2,224	4,286	5,500
53	Transfers Out	-	-	-	-	-
54	Ending Balance March 31, 2024	\$ 161,993	\$ 163,665	\$ 165,889	\$ 165,889	\$ 167,103

Capital Projects		9/30/2023	12/31/2023	3/31/2024	Year to Date	Life to Date
55	Revenues					
56	Member Assessment - RWD	\$ 36,166	\$ 185,287	\$ 406,321	\$ 627,775	\$ 3,049,215
57	Member Assessment - WVWD	36,166	185,287	406,321	627,775	\$ 3,049,215
58	Grant Proceeds Use	-	-	-	-	\$ 1,872,700
59	Total Revenues	72,333	370,574	812,642	1,255,549	\$ 7,971,130
60	Expenses					
61	Pomona Basin	72,333	370,574	812,642	1,255,549	\$ 10,171,294
62	Total Expenses	\$ 72,333	\$ 370,574	\$ 812,642	1,255,549	\$ 10,171,294

PBWA Stored Water		9/30/2023	12/31/2023	3/31/2024	Year to Date
63	Stored Water (\$\$):				
64	Beginning Balance	\$ 14,977,731	\$ 14,933,814	\$ 14,745,692	\$ 14,977,731
65	Add: Transferred Water	-	-	-	-
66	Less: Water Produced	(43,917)	(188,122)	(249,863)	(481,901)
67	Ending Balance	\$ 14,933,814	\$ 14,745,692	\$ 14,495,830	\$ 14,495,830
68	Stored Water (AF):				
69	Beginning Balance	23,755	23,677	23,343	23,755
70	Add: Transferred Water	-	-	-	-
71	Less: Water Produced	(78)	(334)	(445)	(857)
72	Ending Balance	23,677	23,343	22,898	22,898

**PUENTE BASIN WATER AGENCY
STATEMENT OF CASH FLOWS
FY 2023-24**

		BEGINNING BALANCE JULY 1, 2023		\$ 358,932.53
<u>Deposits:</u>				
		Rowland	4,489,894.86	
		WVWD	7,781,741.64	
		Bellflower	9,000.00	
		Montebello Land & Water Company	58,125.00	
		South Montebello Irrigation District	65,000.00	
		LAIF-Interest	7,088.14	
		Subtotal Deposits		12,410,849.64
		Total Deposits		12,769,782.17
<u>Disbursements</u>				
<u>Date</u>	<u>Check #</u>	<u>Payee</u>		
07/19/23	EFT	TVMWD	(856,417.00)	
08/23/23	EFT	TVMWD	(1,116,146.30)	
09/20/23	EFT	TVMWD	(1,563,760.30)	
07/05/23	2092	Civiltec Engineering	(3,760.20)	
07/05/23	2093	Rowland Water District	(54,680.96)	
07/05/23	2094	Southern California Edison	(35.63)	
07/05/23	2095	Water Replenishment District of Southern	(144.75)	
07/05/23	2096	West Yost & Associates, Inc.	(12,402.50)	
07/05/23	2097	Reeb Government Relations, LLC	(4,500.00)	
07/17/23	2098	City of La Verne	(57,264.91)	
07/17/23	2099	Reeb Government Relations, LLC	(4,500.00)	
07/17/23	2100	Southern California Edison	(29.50)	
07/17/23	2101	West Yost & Associates, Inc.	(16,176.25)	
07/17/23	2102	City of La Verne	(51.00)	
08/01/23	2103	ACWA/JPIA	(4,046.22)	
08/01/23	2104	C.J. Brown & Company CPAs	(3,078.00)	
08/01/23	2105	Civiltec Engineering	(3,598.00)	
08/01/23	2106	Kear Groundwater	(3,300.00)	
08/01/23	2107	Lagerlof, LLP	(1,610.00)	
08/01/23	2108	LASER LLC	(1,500.00)	
08/01/23	2109	Rowland Water District	(35,119.78)	
08/01/23	2110	Walnut Valley Water District	(1,542.95)	
08/01/23	2111	City of La Verne	(51.00)	
08/01/23	2112	Southern California Edison	(37.66)	
08/14/23	2113	ACWA/JPIA	(100.00)	
08/14/23	2114	Civiltec Engineering	(880.00)	
08/14/23	2115	Lagerlof, LLP	(175.00)	
08/14/23	2116	Reeb Government Relations, LLC	(4,500.00)	
08/14/23	2117	Rowland Water District	(17,168.20)	
08/14/23	2118	Water Replenishment District of Southern	(196,869.00)	
08/28/23	2119	Rowland Water District	(16,759.04)	
08/28/23	2120	Southern California Edison	(37.75)	
08/28/23	2121	West Yost & Associates, Inc.	(21,760.25)	
09/14/23	2122	City of La Verne	(51.00)	
09/14/23	2123	Reeb Government Relations, LLC	(4,500.00)	

<p style="text-align: center;">PUENTE BASIN WATER AGENCY STATEMENT OF CASH FLOWS FY 2023-24</p>				
09/14/23	2124	Rowland Water District	(17,087.18)	
09/14/23	2125	San Gabriel Valley Watermaster	(279,367.89)	
09/29/23	2126	C.J. Brown & Company CPAs	(3,328.00)	
09/29/23	2127	City of La Verne	(51.00)	
09/29/23	2128	Lagerlof, LLP	(1,015.00)	
09/29/23	2129	LASER LLC	(3,800.00)	
09/29/23	2130	Rowland Water District	(2,235.02)	
09/29/23	2131	Southern California Edison	(36.49)	
09/29/23	2132	Southern California Edison	(771.63)	
09/29/23	2133	TVMWD	(15,873.34)	
10/23/23	EFT	TVMWD	(1,384,858.60)	
11/20/23	EFT	TVMWD	(1,243,154.80)	
12/20/23	EFT	TVMWD	(1,135,079.20)	
10/12/23	2134	Civiltec Engineering	(2,843.75)	
10/12/23	2135	LASER LLC	(8,100.00)	
10/12/23	2136	Morrow Meadow	(67,849.00)	
10/12/23	2137	Southern California Edison	(95.15)	
10/12/23	2138	Walnut Valley Water District	(600.29)	
10/12/23	2139	West Yost & Associates, Inc.	(45,184.75)	
10/25/23	2140	ACWA	(3,565.00)	
10/25/23	2141	Lagerlof, LLP	(1,680.00)	
10/25/23	2142	Reeb Government Relations, LLC	(4,500.00)	
10/25/23	2143	Rowland Water District	(8,865.61)	
10/25/23	2144	TVMWD	(5,821.99)	
11/14/23	2145	City of La Verne	(51.00)	
11/14/23	2146	Civiltec Engineering	(660.00)	
11/14/23	2147	Lagerlof, LLP	(70.00)	
11/14/23	2148	Reeb Government Relations, LLC	(4,500.00)	
11/14/23	2149	West Yost & Associates, Inc.	(38,769.50)	
11/15/23	2150	ACWA/JPIA	(2,138.00)	
11/16/23	2151	Rowland Water District	(76,121.33)	
12/21/23	2152	City of La Verne	(51.00)	
12/21/23	2153	Civiltec Engineering	(5,832.50)	
12/21/23	2154	Lagerlof, LLP	(140.00)	
12/21/23	2155	LASER LLC	(4,800.00)	
12/21/23	2156	Peerless Pump Company	(251,179.88)	
12/21/23	2157	Rowland Water District	(53,397.88)	
12/21/23	2158	California Municipal Utilities Associatio	(10,000.00)	
12/21/23	2159	Reeb Government Relations, LLC	(4,500.00)	
01/23/24	EFT	TVMWD	(946,235.50)	
02/21/24	EFT	TVMWD	(944,702.90)	
03/20/24	EFT	TVMWD	(956,819.46)	
01/17/24	2160	C.J. Brown & Company CPAs	(1,714.00)	
01/17/24	2161	City of La Verne	(51.00)	
01/17/24	2162	Civiltec Engineering	(440.00)	
01/17/24	2163	Lagerlof, LLP	(490.00)	
01/17/24	2164	LASER LLC	(7,243.23)	
01/17/24	2165	Reeb Government Relations, LLC	(4,500.00)	
01/17/24	2166	Rowland Water District	(15,614.67)	

<p style="text-align: center;">PUENTE BASIN WATER AGENCY STATEMENT OF CASH FLOWS FY 2023-24</p>				
01/17/24	2167	Tri County Pump Company	(105,302.28)	
01/17/24	2168	Walnut Valley Water District	(630.23)	
01/17/24	2169	West Yost & Associates, Inc.	(4,572.00)	
01/17/24	2170	City of La Verne	(57,264.91)	
02/07/24	2171	City of La Verne	(53.55)	
02/07/24	2172	Lagerlof, LLP	(150.00)	
02/07/24	2173	LASER LLC	(4,300.00)	
02/07/24	2174	Rowland Water District	(37,224.63)	
02/07/24	2175	Southern California Edison	(8,569.73)	
02/07/24	2176	West Yost & Associates, Inc.	(5,929.00)	
02/27/24	2177	C.J. Brown & Company CPAs	(600.00)	
02/27/24	2178	Civiltec Engineering	(660.00)	
02/27/24	2179	Reeb Government Relations, LLC	(4,500.00)	
02/27/24	2180	Rowland Water District	(40,116.93)	
03/27/24	2181	Doty Bros. Equipment	(426,430.30)	
03/27/24	2182	LASER LLC	(1,700.00)	
03/27/24	2183	Rowland Water District	(36,419.28)	
03/27/24	2184	West Yost & Associates, Inc.	(6,828.25)	
03/27/24	2185	City of La Verne	(51.00)	
03/27/24	2186	Reeb Government Relations, LLC	(4,500.00)	
03/27/24	2187	City of La Verne	(51.00)	
03/27/24	2188	TVMWD	(17,860.83)	
		Total Disbursements		<u>(12,336,052.61)</u>
		ENDING BALANCE MARCH 31, 2024		\$ 433,729.56
		LAIF		\$ 268,102.52
		Checking		\$ 165,627.04
		Total Cash Balance		\$ 433,729.56



861 Village Oaks Drive, Suite 100 • Covina , California 91724
Phone: (626) 967-6202 • Fax: (626) 331-7065 • Website: www.stetsonengineers.com
Northern California • Southern California • Arizona • Colorado • Oregon

2533-1.02.002

May 6, 2024

Puente Basin Water Agency
c/o Walnut Valley Water District
271 S. Brea Canyon Road
Walnut, CA 91789

RE: Puente Narrows Underflow

Dear Ms. Angelico:

Enclosed for your files is a signed copy of the letter to the Main San Gabriel Basin Watermaster concerning the annual measurement of Puente Narrows subsurface flow.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. B. Johnson', is written over a horizontal line. The signature is fluid and stylized, with a large loop at the end.

Stephen B. Johnson
Stetson Engineers Inc.

Enclosure

J:\2533\1.02.002 - (HOLD)\Puente Narrows Underflow\2022-23\Transmittals - Puente Narrows Under Flow Ltrs.doc

April 18, 2024

Main San Gabriel Basin Watermaster
725 N. Azusa Avenue
Azusa, CA 91702

RE: Puente Narrows Underflow, Fiscal Year 2023-24

Ladies and Gentlemen:

Pursuant to the Judgment in Upper San Gabriel Valley Municipal Water District v. City of Alhambra, et al. and its Exhibit J, Puente Narrows Agreement, the subsurface flow passing from Puente Basin to the Main San Gabriel Basin was determined for fiscal year 2023-24. This determination of subsurface flow was made in accordance with Appendix C, Engineering Criteria, to Exhibit J of the Judgment and consisted of measuring the water levels at the two key wells.

The field measurements of the water levels at the upstream well, 2S/10W-9Q, and downstream well, 2S/10W-8E3, for Fall 2023 were collected on October 4, 2023 by Mr. Tuan Nguyen of Stetson Engineers Inc. representing Upper San Gabriel Valley Municipal Water District and Mr. Charlie Devine of Civiltec Engineering Inc. representing Puente Basin Water Agency. The field measurements of the water levels at the upstream well, 2S/10W-9Q, and downstream well, 2S/10W-8E3, for Spring 2024 were collected on April 11, 2024 by Mr. Tuan Nguyen of Stetson Engineers Inc. representing Upper San Gabriel Valley Municipal Water District and Mr. Charlie Devine of Civiltec Engineering Inc. representing Puente Basin Water Agency. Based on the Fall 2023 and Spring 2024 static water levels at the key wells, the subsurface flow was determined to be 895 acre-feet for fiscal year 2023-24, as shown on Table 1.

Field inspections of the concrete-lined San Jose Creek channel were made concurrently with the field water level measurements and indicated no apparent withdrawal of flow in the San Jose Creek channel from the boundary of Spadra Basin with Puente Basin and downstream to Puente Narrows.

The Puente Narrows Agreement requires that a perpetual accounting of the subsurface flow through Puente Narrows be maintained. Presented in Table 2 is the accounting to date, showing the Accumulated Base Underflow (at 580 acre-feet per year in accordance with Paragraph 8 of the Agreement), the Annual and Accumulated Subsurface Flow to date under the Agreement, the Accumulated Credit or Debit of Puente Agency and the Adjusted Accumulated Credit or Debit of Puente Agency (from Table 3).

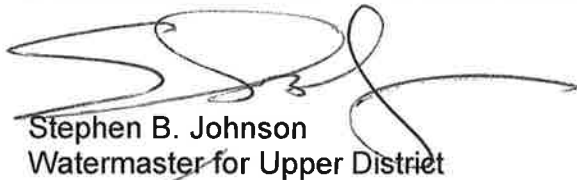
By Agreement dated November 30, 1989, Puente Basin Water Agency and Upper San Gabriel Valley Municipal Water District agreed that groundwater extracted from Puente Basin that is treated and discharged to the lined channel, and then percolated in the Main Basin as part of Carrier Corporation's cleanup program, which is required by the Regional Water Quality Control Board, shall be credited to

Puente Agency as subsurface outflow from Puente Basin. Evaporation losses and unusable surface outflow to the ocean are deducted from such groundwater extraction from Puente Basin. As shown on Table 3, Column 6, since fiscal-year 2007-08, Carrier stopped discharging this treated water and the water is being beneficially used in the Puente Basin.

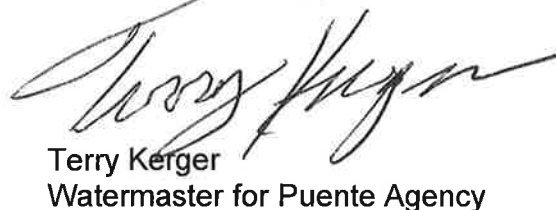
Table 3 shows the Groundwater Extraction for Cleanup Purposes, Deliveries to Rowland Water District, Discharge to Sanitary Sewer, Total Evaporation Losses, Unusable Outflow to Ocean, Annual Cleanup Extraction Credit, accumulated Annual Cleanup Extraction Credit, Accumulated Credit or Debit of Puente Agency (from Table 2), and the Adjusted Accumulated Credit or Debit of Puente Agency.

Respectfully Submitted,

PUENTE NARROWS WATERMASTER



Stephen B. Johnson
Watermaster for Upper District



Terry Kerger
Watermaster for Puente Agency

cc: Upper San Gabriel Valley Municipal Water District
Puente Basin Water Agency

TABLE 1
DETERMINATION OF
PUENTE NARROWS UNDERFLOW

WELL	DATE OF MEASUREMENT	REFERENCE POINT	DISTANCE	ELEVATION	DIFFERENCE	DISTANCE	HYDRAULIC GRADIENT	AVERAGE	UNDERFLOW
		ELEVATIONS (FEET)	TO WATER (FEET)	OF WATER TABLE (FEET)	IN WATER LEVELS (FEET)	BETWEEN WELLS (FEET)		WATER LEVEL ELEVATION (FEET)	FOR 2023-24 (ACRE-FEET)
FALL 2023									
2S/10W-9Q¹	10/4/2023	371	34.7	336.3					
2S/10W-8E3	10/4/2023	327	41.2	285.8	50.5	7,700	0.00656	311.1	--
SPRING 2024									
2S/10W-9Q¹	4/11/2024	371	28.2	342.8					
2S/10W-8E3	4/11/2024	327	35.8	291.2	51.6	7,700	0.00670	317.0	--
TOTAL:							0.01326	628.1	
AVERAGE:							0.00663	314.1	895²

1. As described in a memo dated, November 9, 2006, the Watermaster representatives agreed to use Rowland Well No. 1 as a replacement well for the destroyed Faure Well.

2. From Appendix C of Exhibit "J" of Main San Gabriel Basin Judgment

TABLE 2

**DETERMINATION OF SUBSURFACE OUTFLOW
FROM
PUENTE BASIN TO MAIN SAN GABRIEL BASIN
(ACRE-FEET)**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fiscal Year	Accumulated Base Underflow In Acre-feet (580 AF/Yr)	Subsurface Flow In Acre-feet Annual	Accumulated	Deficiency By Reason Of Interference With Surface Flow, In Acre-feet	Offsetting Credit For Make-up Payments In Acre-feet	(3-4-5) Total Accumulated Subsurface Flow	Adjusted Accumulated Credit(+) or Debit(-) of Puente Agency (from Table 3)
						(6-1) Accumulated Credit(+) or Debit(-) of Puente Agency	
1972-73	580	692	692	0	0	692	+112
1973-74	1,160	796	1,488	0	0	1,488	+328
1974-75	1,740	710	2,198	0	0	2,198	+458
1975-76	2,320	732	2,930	0	0	2,930	+610
1976-77	2,900	658	3,588	0	0	3,588	+688
1977-78	3,480	730	4,318	0	0	4,318	+838
1978-79	4,060	850	5,168	0	0	5,168	+1,108
1979-80	4,640	930	6,098	0	0	6,098	+1,458
1980-81	5,220	820	6,918	0	0	6,918	+1,698
1981-82	5,800	845	7,763	0	0	7,763	+1,963
1982-83	6,380	850	8,613	0	0	8,613	+2,233
1983-84	6,960	798	9,411	0	0	9,411	+2,451
1984-85	7,540	820	10,231	0	0	10,231	+2,691
1985-86	8,120	840	11,071	0	0	11,071	+2,951
1986-87	8,700	850	11,921	0	0	11,921	+3,221
1987-88	9,280	880	12,801	0	0	12,801	+3,521
1988-89	9,860	890	13,691	0	0	13,691	+3,902
1989-90	10,440	910	14,601	0	0	14,601	+4,490
1990-91	11,020	905	15,506	0	0	15,506	+5,239
1991-92	11,600	925	16,431	0	0	16,431	+5,943
1992-93	12,180	890	17,321	0	0	17,321	+6,579
1993-94	12,760	845	18,166	0	0	18,166	+7,289
1994-95	13,340	860	19,026	0	0	19,026	+7,811
1995-96	13,920	810	19,836	0	0	19,836	+8,342
1996-97	14,500	820	20,656	0	0	20,656	+9,004
1997-98	15,080	840	21,496	0	0	21,496	+9,385
1998-99	15,660	750	22,246	0	0	22,246	+9,796
1999-00	16,240	760	23,006	0	0	23,006	+10,347
2000-01	16,820	860	23,866	0	0	23,866	+11,033
2001-02	17,400	890	24,756	0	0	24,756	+11,550
2002-03	17,980	940	25,696	0	0	25,696	+12,045
2003-04	18,560	960	26,656	0	0	26,656	+12,554
2004-05	19,140	960	27,616	0	0	27,616	+13,018
2005-06	19,720	860	28,476	0	0	28,476	+13,433
2006-07	20,300	950	29,426	0	0	29,426	+13,925
2007-08	20,880	940	30,366	0	0	30,366	+14,366
2008-09	21,460	960	31,326	0	0	31,326	+14,746
2009-10	22,040	945	32,271	0	0	32,271	+15,111
2010-11	22,620	985	33,256	0	0	33,256	+15,516
2011-12	23,200	890	34,146	0	0	34,146	+15,826
2012-13	23,780	930	35,076	0	0	35,076	+16,176
2013-14	24,360	985	36,061	0	0	36,061	+16,581
2014-15	24,940	980	37,041	0	0	37,041	+16,981
2015-16	25,520	1,010	38,051	0	0	38,051	+17,411
2016-17	26,100	970	39,021	0	0	39,021	+17,801
2017-18	26,680	995	40,016	0	0	40,016	+18,216
2018-19	27,260	980	40,996	0	0	40,996	+18,616
2019-20	27,840	945	41,941	0	0	41,941	+18,981
2020-21	28,420	930	42,871	0	0	42,871	+19,331
2021-22	29,000	940	43,811	0	0	43,811	+19,691
2022-23	29,580	970	44,781	0	0	44,781	+20,081
2023-24	30,160	895	45,676	0	0	45,676	-

TABLE 3
ADJUSTMENT TO SUBSURFACE FLOW
DUE TO GROUND-WATER CLEANUP*
(ACRE-FEET)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
						(1-2-3-4-5)	Accumulated	Accumulated	(7 + 8)
	Groundwater	Less:	Discharge	Evaporation	Unusable	Annual	Annual	Credit(+) or	Adjusted
	Extraction	Deliveries To	To Sanitary	Losses	Outflow	Cleanup	Cleanup	Debit(-) of	Accumulated
Fiscal	For Cleanup	Rowland Water	Sewer		To Ocean	Extraction	Extraction	Puente Agency	Credit(+) or
Year	Purposes	District				Credit	Credit	(from Table 2)	Debit(-) of
1972-73	--	--	--	--	--	--	--	+112	+112
1973-74	--	--	--	--	--	--	--	+328	+328
1974-75	--	--	--	--	--	--	--	+458	+458
1975-76	--	--	--	--	--	--	--	+610	+610
1976-77	--	--	--	--	--	--	--	+688	+688
1977-78	--	--	--	--	--	--	--	+838	+838
1978-79	--	--	--	--	--	--	--	+1,108	+1,108
1979-80	--	--	--	--	--	--	--	+1,458	+1,458
1980-81	--	--	--	--	--	--	--	+1,698	+1,698
1981-82	--	--	--	--	--	--	--	+1,963	+1,963
1982-83	--	--	--	--	--	--	--	+2,233	+2,233
1983-84	--	--	--	--	--	--	--	+2,451	+2,451
1984-85	--	--	--	--	--	--	--	+2,691	+2,691
1985-86	--	--	--	--	--	--	--	+2,951	+2,951
1986-87	--	--	--	--	--	--	--	+3,221	+3,221
1987-88	--	--	--	--	--	--	--	+3,521	+3,521
1988-89	77	--	3	2	1	71	71	+3,831	+3,902
1989-90	264	--	0	2	4	258	329	+4,161	+4,490
1990-91	441	--	0	8	9	424	753	+4,486	+5,239
1991-92	386	--	0	7	20	359	1,112	+4,831	+5,943
1992-93	389	--	0	7	56	326	1,438	+5,141	+6,579
1993-94	456	--	0	5	6	445	1,883	+5,406	+7,289
1994-95	288	--	0	4	42	242	2,125	+5,686	+7,811
1995-96	317	--	0	5	11	301	2,426	+5,916	+8,342
1996-97	455	--	0	9	24	422	2,848	+6,156	+9,004
1997-98	172	--	0	3	48	121	2,969	+6,416	+9,385
1998-99	247	--	0	2	4	241	3,210	+6,586	+9,796
1999-00	386	--	0	6	9	371	3,581	+6,766	+10,347
2000-01	424	--	0	6	12	406	3,987	+7,046	+11,033
2001-02	213	--	0	4	2	207	4,194	+7,356	+11,550
2002-03	157	--	0	3	19	135	4,329	+7,716	+12,045
2003-04	156	--	0	1	26	129	4,458	+8,096	+12,554
2004-05	137	--	0	2	51	84	4,542	+8,476	+13,018
2005-06	143	--	0	1	7	135	4,677	+8,756	+13,433
2006-07	123	--	0	1	0	122	4,799	+9,126	+13,925
2007-08	84	--	0	1	2	81	4,880	+9,486	+14,366
2008-09	59	59	0	0	0	0	4,880	+9,866	+14,746
2009-10	48	48	0	0	0	0	4,880	+10,231	+15,111
2010-11	78	78	0	0	0	0	4,880	+10,636	+15,516
2011-12	241	241	0	0	0	0	4,880	+10,946	+15,826
2012-13	77	63	14	0	0	0	4,880	+11,296	+16,176
2013-14	110	110	0	0	0	0	4,880	+11,701	+16,581
2014-15	69	69	0	0	0	0	4,880	+12,101	+16,981
2015-16	60	53	7	0	0	0	4,880	+12,531	+17,411
2016-17	99	99	0	0	0	0	4,880	+12,921	+17,801
2017-18	59	53	6	0	0	0	4,880	+13,336	+18,216
2018-19	108	103	5	0	0	0	4,880	+13,736	+18,616
2019-20	162	158	4	0	0	0	4,880	+14,101	+18,981
2020-21	208	206	2	0	0	0	4,880	+14,451	+19,331
2021-22	146	142	4	0	0	0	4,880	+14,811	+19,691
2022-23	235	228	7	0	0	0	4,880	+15,201	+20,081

*Agreement Re Determination of Impact of "Cleanup" Production by Carrier Corporation Upon "Subsurface Outflow" Under "Puente Narrows Agreement," November 30, 1989.

Note: Fiscal year 2023-24 adjustment to subsurface flow was not made due to incomplete data. The adjustment will be included in the Spring 2025 measurements.



TO: Board of Commissioners
FROM: Jared Macias, Administrative Officer
DATE: June 6, 2024
RE: Consider Adoption of Resolution 06-24-033: Adopting the Proposed Fiscal Year 2024-2025 Budget and Waiving Joint Powers Agreement Requirement for April Meeting

Recommendation:

Requests that the Commissioners review and consider adoption of PBWA Resolution No. 06-24-033

Background:

The JPA agreement requires budget adoption at the meeting held in April to allow each of the respective agencies to adopt the budget at their respective meetings. Due to delays in Metropolitan Water District adopting rates, staff is requesting a waiver of this requirement for the FY 2024-25 budget to allow for adoption at the June 6, 2024 meeting.

Attachments:

- *Resolution 06-24-033*

RESOLUTION 06-24-033

**A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF PUENTE BASIN WATER AGENCY
ADOPTING BUDGET FOR FISCAL 2024-25 AND
WAIVING JPA AGREEMENT REQUIREMENTS**

WHEREAS, Puente Basin Water Agency (the “Agency”) is required by law to adopt a budget each year; and

WHEREAS, Section C(1) of the Agency’s Amended, Restated and Renewed Joint Powers Agreement Creating Puente Basin Water Agency, as further amended (the “JPA Agreement”) provides that the Agency’s Commission is to conduct the annual budget meeting no later than the third week of April of each year; and

WHEREAS, due to delays in being able to obtain required information from other public agencies that is necessary to be included in the Agency’s Fiscal Year 2024-25 budget to determine the amount of purchased water expenses, the Agency was not able to have its Fiscal Year 2024-25 budget prepared for consideration at the Commission’s April 4, 2024 meeting; and

WHEREAS, the Commission does not desire to incur the additional expenses that would arise from conducting a special meeting to consider adoption of the Fiscal Year 2024-25 budget; and

WHEREAS, Agency staff has presented to the Commission a draft budget for Fiscal Year 2024-25 that shows the Agency’s expected income of \$18,061,200 and expected expenses of \$18,055,200; and

WHEREAS, the Commission finds adoption of the Fiscal Year 2024-25 budget will be in the Agency’s best interest,

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Puente Basin Water Agency to adopt the Agency’s Fiscal Year 2024-25 budget in the form presented and

instructs Agency staff to forward that budget to the Agency's member agencies for their respective consideration and approval, as required under Section F(2) of the JPA Agreement.

RESOLVED FURTHER, the Commission hereby waives the provision of Section C(1) of the JPA Agreement based on the circumstances relating to preparation of the Fiscal Year 2024-25 budget that were beyond the Agency's control.

The undersigned certifies that this resolution was adopted by the entity in accordance with law and its charter documents, that it is now in force, and that the persons named above are authorized to act as stated in this resolution.

PASSED AND ADOPTED at a regular meeting of the Board of Commissioners of Puente Basin Water Agency held on June 6, 2024.

President

ATTEST:

Secretary

CERTIFICATION

I, Carmen Fleming, Secretary of the Puente Basin Water Agency, certify that the foregoing resolution is a complete and accurate copy of a resolution duly adopted by the Board of Commissioners on June 6 2024, and that the resolution is now in full force and has not been revoked or changed in any way.

Dated: June 6, 2024

Carmen Fleming, Secretary



TO: Board of Commissioners
FROM: Jared Macias, Administrative Officer
DATE: June 6, 2024
RE: Discussion and Approval of the Annual PBWA Budget for FY 2024-2025

Recommendation:

That the Commissioners approve the proposed PBWA FY 2024-2025 Administration Budget.

Background:

The proposed FY 24-25 budget focuses on securing water supplies for our customers through various projects. This report details production estimates and associated costs for each project:

- Three Valleys Municipal Water District (TVMWD) is based on RWD and WVWD production demands, budgeted production is 10,521 AF. The budget also includes each agencies respective share of TVMWD and MWD fixed charges.
- The California Domestic Water Company (CDWC) project is budgeted to produce 1,200 AF of water. Costs associated with the project relate to CDWC water charges, MSGBWM charges, electricity costs, and treatment costs.
- No water production has been included in the budget for La Habra Heights County Water District
- The Pomona Basin project is anticipated to produce 465 AF from Old Baldy and 330 AF from Durward wells. Costs associated with the project relate to water charges, electricity costs, and treatment costs.

Budget Process

Rowland Water District and Walnut Valley Water District will share the budget equally, except for TVMWD which is allocated based on water production by each agency. Both member agencies will be asked to approve their respective allocations after the PBWA Commission's approval.

PUENTE BASIN WATER AGENCY
FY 24-25 OPERATING BUDGET

[illegible]

		Budget FY 23-24	Projected FY 23-24	Budget FY 24-25	Administrative	TVMWD	CDWC	Pomona Basin	LHHCWD
33	<u>Other Costs</u>								
34	Energy - Pumping and Treatment	117,700	205,700	409,000	-	-	246,000	163,000	-
35	Materials & Supplies - Chemicals	29,700	28,700	33,600	-	-	33,600	-	-
36	Materials & Supplies - Other	20,000	10,000	25,000	-	-	20,000	5,000	-
37	Other Costs (Labor etc.)	44,700	38,100	65,700	-	-	42,000	21,000	2,700
38	Lease Agreements - Old Baldy	115,800	114,500	121,400	-	-	-	121,400	-
39	Permits & Fees	2,100	2,100	2,200	-	2,200	-	-	-
40	Subtotal	330,000	399,100	656,900	-	2,200	341,600	310,400	2,700
41	<u>Administrative & General</u>								
42	Legal	20,000	6,000	20,000	20,000	-	-	-	-
43	Engineering	5,000	1,500	5,000	5,000	-	-	-	-
44	Professional Services- Other	283,000	254,200	304,200	304,200	-	-	-	-
45	Insurance - Property & Liability	5,700	6,300	6,500	6,500	-	-	-	-
46	Accounting/Auditing	8,400	8,400	8,400	8,400	-	-	-	-
47	Administrative Expenses - Other	56,900	70,000	74,800	74,800	-	-	-	-
48	Subtotal	379,000	346,400	418,900	418,900	-	-	-	-
49	Total Expenses	\$ 16,778,300	\$ 15,808,800	\$ 18,055,200	\$ 418,900	\$ 14,804,500	\$ 1,793,600	\$ 1,035,500	\$ 2,700
50	Other Income/(Expense)	-		-	-	-	-	-	-
51	Interest Income	2,000	2,000	2,000	2,000	-	-	-	-
52	Leased Water Revenue	125,500	125,500	125,500	125,500	-	-	-	-
53	Depreciation	-	-	-	-	-	-	-	-
54	Subtotal	127,500	127,500	127,500	127,500	-	-	-	-
55	Net Income (Loss) Before Transfers	\$ 133,000	\$ 133,020	\$ 133,500	\$ 127,500	\$ -	\$ 6,000	\$ -	\$ -
56	Transfers In: Maint. Reserve Funds Used			-	-	-	-	-	-
57	Transfers Out: Maint. Reserve Funds Collected	(5,500)	(5,520)	(6,000)	-	-	(6,000)	-	-
58	Net Income (Loss) After Transfers	\$ 127,500	\$ 127,500	\$ 127,500	\$ 127,500	\$ -	\$ -	\$ -	\$ -

59	PBWA Maintenance Reserve			Total	Administrative	TVMWD	CDWC	Pomona Basin	LHHCWD
60	Beginning Balance July 1	\$ 158,574	\$ 161,603	\$ 167,123	\$ -	\$ -	\$ 146,029	\$ -	\$ 21,094
61	Transfers In	5,500	5,520	6,000	-	-	6,000	-	-
62	Transfers Out			-	-	-	-	-	-
63	Ending Balance June 30	\$ 164,074	\$ 167,123	173,123	\$ -	\$ -	\$ 152,029	\$ -	\$ 21,094

PUENTE BASIN WATER AGENCY FY 2024-25 Budget Supplement

The following is a supplement to the proposed budget and is intended to provide more specific detail and explanation of the major revenues and expenses proposed in the FY 24-25 Operating Budget.

REVENUES

Administrative Assessments RWD/WVWD

Represents payments received from the WVWD and RWD related to the administrative costs of the District. The administrative costs of the District are shared equally by both agencies.

Water Sales - Project RWD/WVWD

Represents payments received from the WVWD and RWD related to the production of water from PBWA water reliability projects. The costs and benefits of these projects is shared equally by the agencies.

Water Sales -TVMWD

Represents payments received from the WVWD and RWD related to water purchased from TVMWD. Unlike the project water sales, the amounts collected from each agency are based on the estimated costs associated with each individual agency's estimated purchases through the Joint Water Line. These costs include both the commodity and fixed charges assessed by TVMWD.

Project Maintenance Reserve

In an effort to ensure sufficient money is available to repair and maintain the LHCWD and CDWC projects, the agencies decided, through separate project agreements, to establish a maintenance reserve account to fund the repair of the facilities. The amounts collected will be reserved for this purpose. For FY 24-25 the budgeted amount is \$6,000, related to expected production from the Cal Domestic project of 1,200 acre-feet. No water production related to other projects has been included in the budget. The maintenance reserve amounts are to be funded equally by the agencies.

Stored/Leased Water

The PBWA, through RWD and WVWD, has over the past several years purchased and stored untreated water in the Main Basin to be used initially by the CDWC project. For the current year budget, it is anticipated that the CDWC project will produce 1,200 AF of water. The average cost of the stored water is \$563.24 per acre-foot, this amount has been included in the budgeted expenses and revenues.

EXPENSES

Source of Supply

Purchased Water - TVMWD - Represents the commodity cost, including TVMWD's surcharge, associated with the purchase of water from TVMWD. Costs are based on purchases of 10,521 acre-feet (RWD 3,175 acre-feet; WVWD 7,346 acre-feet).

PUENTE BASIN WATER AGENCY FY 2024-25 Budget Supplement

Purchased Water - LHCWD - Represents the estimated charges associated with purchase of water from LHCWD, as outlined in the agreement. For FY 24-25, no water production has been included in the budget.

Purchased Water - CDWC - Represents the estimated charges associated with purchase of water from CDWC, as outlined in the agreement. Includes the cost of untreated water, previously purchased and stored in the Main Basin. Based on water purchases of 1,200 acre-feet.

Purchased Water - Old Baldy - Represents the estimated charges associated with production of water from the Old Baldy Well, as outlined in the agreement. Includes the cost of untreated water, purchased from the City of La Verne. Based on water purchases of 465 acre-feet.

Purchased Water - Durward - Represents the estimated charges associated with production of water from the Durward Well, as outlined in the agreement. Includes the cost of untreated water, purchased from Goldenstate. Based on water purchases of 330 acre-feet.

Surcharge Orchard Dale - In addition to the costs charged by LHCWD, the District must also pay a per acre-foot surcharge to Orchard Dale Water. No amount has been budgeted for FY 23-24.

Assessments - WRD - Represents the cost of replenishment water related to the CDWC project. Based on water purchases of 1,200 acre-feet

Fixed Charges

These charges represent the fixed charges assessed to each respective agency by TVMWD. These charges include the Imported Water Use Charge, Connected Capacity, Equivalent Small Meters, TVMWD RTS Charge, and MWD Capacity Reservation Charge. For the year the total charges are estimated to be \$797,900. RWD's share of this amount is \$188,700 and WVWD's share is \$609,200.

Other Costs

Energy - Represents the power cost associated with the pumping activities and treatment facilities of the water reliability projects.

Materials and Supplies - Chemicals - Estimated costs for chemicals used for the treatment facilities associated with the water reliability projects.

Materials and Supplies - Other - Estimated costs for other miscellaneous supplies necessary for the operation of the projects.

Other Costs - Estimated costs for RWD and TVMWD labor and other professional fees related to operating and maintaining the project facilities.

Lease Agreement - Estimated costs for operating the Old Baldy Well on La Verne property

PUENTE BASIN WATER AGENCY FY 2024-25 Budget Supplement

Permits & Fees - Includes costs for WRD Admin Budget, Central Basin Water Rights fees, and Water Research foundation fees paid through TVMWD.

Administrative & General

Legal - To provide funds for legal expense related to the activities of the PBWA.

Engineering - To provide funds for professional engineering fees related to the management and reporting requirements for the Puente Basin

Professional Services Other - To provide funds for professional services related to state funding, and other outside services not related to a specific project.

Insurance - Property and Liability - To provide funds for property and liability insurance

Accounting - To provide funds for auditing services.

Administrative Expenses - Includes funding for internal labor, ACWA dues, and banking fees attributable to the activities of the PBWA.

Other Income/(Expenses)

Interest Income - Interest received from monies in the LAIF investment account.

Leased Water Revenue - Leased water to other agencies from water rights owned in the Central Basin